



关爱人生每一天

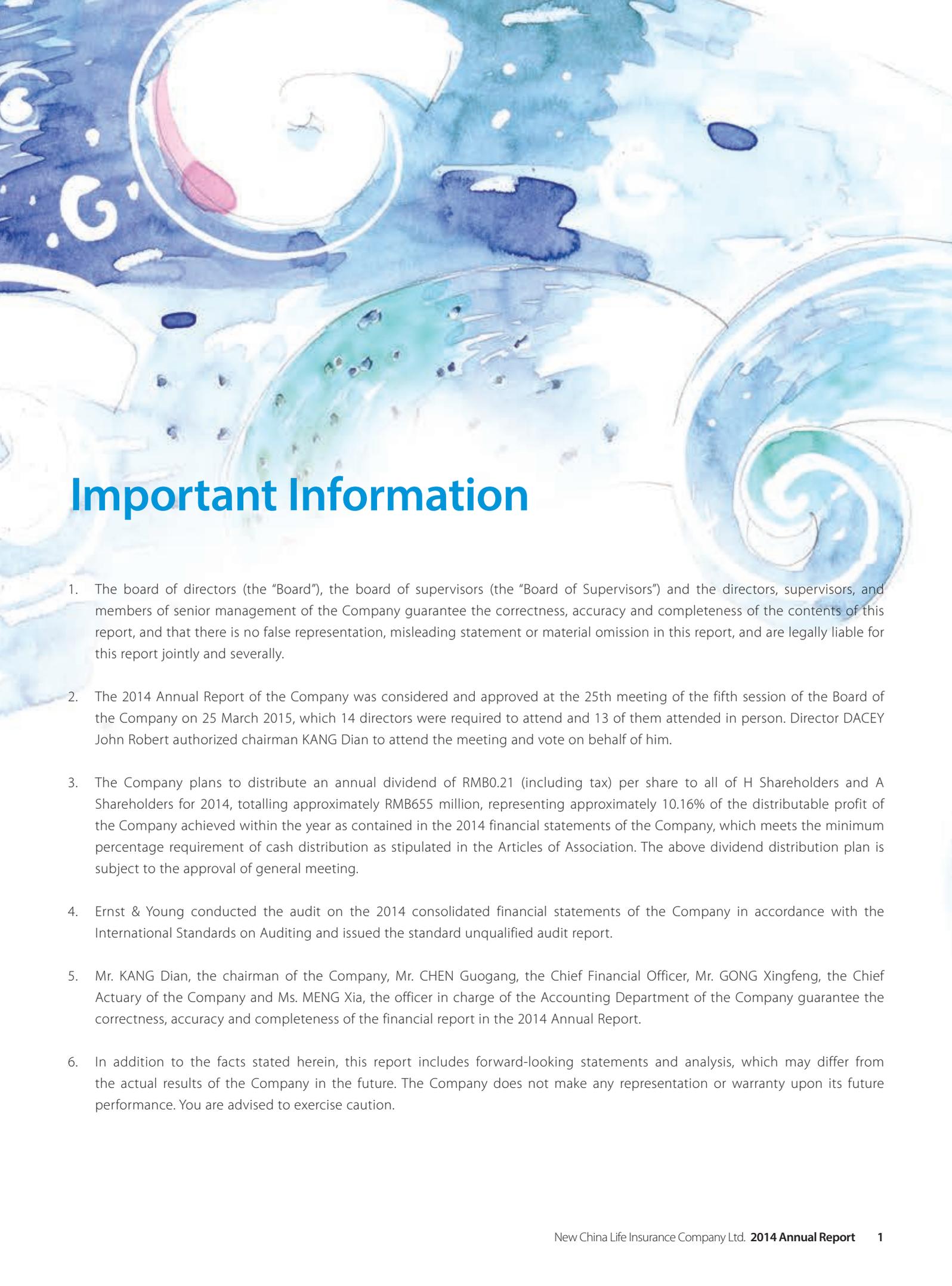
Annual Report  
**2014**

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

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

Stock Code: 1336





# Important Information

1. The board of directors (the "Board"), the board of supervisors (the "Board of Supervisors") and the directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.
2. The 2014 Annual Report of the Company was considered and approved at the 25th meeting of the fifth session of the Board of the Company on 25 March 2015, which 14 directors were required to attend and 13 of them attended in person. Director DACEY John Robert authorized chairman KANG Dian to attend the meeting and vote on behalf of him.
3. The Company plans to distribute an annual dividend of RMB0.21 (including tax) per share to all of H Shareholders and A Shareholders for 2014, totalling 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. The above dividend distribution plan is subject to the approval of general meeting.
4. Ernst & Young conducted the audit on the 2014 consolidated financial statements of the Company in accordance with the International Standards on Auditing and issued the standard unqualified audit report.
5. Mr. KANG Dian, the chairman of the Company, Mr. CHEN Guogang, the Chief Financial Officer, Mr. GONG Xingfeng, the Chief Actuary of the Company and Ms. MENG Xia, the officer in charge of the Accounting Department of the Company guarantee the correctness, accuracy and completeness of the financial report in the 2014 Annual Report.
6. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any representation or warranty upon its future performance. You are advised to exercise caution.



# Contents

3	Section 1	Definitions and Material Risk Alert
5	Section 2	Corporate Information
7	Section 3	Summary of Accounting Data and Operating Data
9	Section 4	Chairman's Letter to Shareholders
16	Section 5	Management Discussion and Analysis
43	Section 6	Significant Events
49	Section 7	Changes in Share Capital and Shareholders' Profile
56	Section 8	Directors, Supervisors, Senior Management and Employees
77	Section 9	Corporate Governance Report
102	Section 10	Risk Management
108	Section 11	Report of the Board
113	Section 12	Corporate Social Responsibility
116	Section 13	Embedded Value
125	Section 14	Appendix

## Section 1

# Definitions and Material Risk Alert

### Definitions

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

the Company, NCI	New China Life Insurance Company Ltd.
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Chongqing Agency	Chongqing New China Insurance Agency Co., Ltd., a subsidiary of the Company
Yunnan Agency	Yunnan New China Insurance Agency Co., Ltd., a subsidiary of the Company
Health Technology	New China Village Health Technology (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors	Xinhua Village Seniors Business Management (Beijing) Co., Ltd., a subsidiary of the Company
Shanggu Real Estate	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd., a subsidiary of the Company
Tanzhou Real Estate	Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd., a subsidiary of the Company
New China Health	New China Life Excellent Health Investment Management Co., Ltd., a subsidiary of the Company
Wuhan Clinic	New China Life Insurance (Wuhan) Clinic Co., Ltd., a subsidiary of the Company
Xi'an Clinic	New China Life Insurance (Xi'an) Clinic Co., Ltd., a subsidiary of the Company
Zijin Century	Beijing Zijin Century Real Estate Co., Ltd.
MJ Health	Beijing MJ Health Screening Co., Ltd.
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Haoran Power	Beijing Century Haoran Power Technology Development Co., Ltd., a subsidiary of the Company
Guangzhou Yuerong	Guangzhou Yuerong Project Construction Management Co., Ltd., a subsidiary of the Company
Hainan Seniors	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., a subsidiary of the Company

## Section 1

### Definitions and Material Risk Alert

Huijin	Central Huijin Investment Ltd.
Baosteel Group	Baosteel Group Corporation
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CBRC	China Banking Regulatory Commission
SSF	the National Council for Social Security Fund of the PRC
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
PRC, China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
PRC GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Interpretation No. 2	Interpretation No. 2 on Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 7 August 2008
Articles of Association	The articles of association of New China Life Insurance Company Ltd., approved by the First Extraordinary General Meeting of 2013 of the Company on 1 February 2013, and became effective as approved by the CIRC on 7 February 2013
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

**Material Risk Alert:** The risks of the Company primarily include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk and liquidity risk, etc.. The Company has taken various measures to efficiently manage and control various risks. Please refer to Section 10 "Risk Management" of the report for details.

## Section 2

# Corporate Information

Legal Name in Chinese: 新華人壽保險股份有限公司

Abbreviation in Chinese: 新華保險

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

Abbreviation in English: NCI

Legal Representative: KANG Dian

Board Secretary/Joint Company Secretary: ZHU Ying

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

Email: [ir@newchinalife.com](mailto:ir@newchinalife.com)

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

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

Fax: 852-35898555

Email: [mandy.mok@tmf-group.com](mailto:mandy.mok@tmf-group.com)

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

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

Postal Code: 102100

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

Postal Code: 100022

Place of Business in Hong Kong: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

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

Email: [ir@newchinalife.com](mailto:ir@newchinalife.com)

Registered Capital: RMB3,119,546,600

## Section 2

### Corporate Information

Customer Service and Complaint Tel: 95567

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

Website for publishing annual reports (A Share): <http://www.sse.com.cn>

Website for publishing annual reports (H Share): <http://www.hkexnews.hk>

Place where copies of annual reports are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 新華保險

Stock Code for A Share: 601336

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

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

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

Stock Name for H Share: NCI

Stock Code for H Share: 1336

H Share Registrar: Computershare Hong Kong Investor Services Limited

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

Date of Initial Registration: 28 September 1996

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

Registration Number of Business License: 110000009900854

Tax Registration Number: Jing Shui Zheng Zi: 110229100023875

Organization Code: 10002387-5

Domestic Auditor: Ernst & Young Hua Ming LLP

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

Signing Certified Public Accountants: GUO Hangxiang and YU Yinyin

International Auditor: Ernst & Young

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

Domestic Legal Advisor: Commerce & Finance Law Offices

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

Hong Kong Legal Advisor: Davis Polk & Wardwell, Hong Kong Solicitors

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

Change in the main business of the Company after listing: No change

Change in the controlling shareholder of the Company after listing: No change

## Section 3

# Summary of Accounting Data and Operating Data

### I. HISTORICAL KEY ACCOUNTING DATA AND FINANCIAL INDICATORS AS OF THE END OF OR FOR THE REPORTING PERIOD

Unit: RMB in millions

Key accounting data	2014	2013	Year-on-year increase/ decrease	2012	2011	2010
Total revenues	<b>142,094</b>	128,217	10.8%	111,699	108,610	102,709
Gross written premiums and policy fees	<b>110,067</b>	104,073	5.8%	98,081	95,151	91,956
Net profit before income tax	<b>7,782</b>	4,959	56.9%	2,288	3,275	2,255
Net profit	<b>6,407</b>	4,424	44.8%	2,934	2,800	2,250
Net cash flows from operating activities	<b>25,052</b>	56,205	-55.4%	54,252	55,983	61,594

	As of 31 December 2014	As of 31 December 2013	Year-end to year-end increase/ decrease	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Total assets	<b>643,709</b>	565,849	13.8%	493,693	386,771	304,566
Equity attributable to shareholders of the Company	<b>48,359</b>	39,312	23.0%	35,870	31,306	6,567

## Section 3

### Summary of Accounting Data and Operating Data

Key financial indicators	2014	2013	Year-on-year increase/decrease	2012	2011	2010
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	2.05	1.42	44.4%	0.94	1.24	1.87
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	2.05	1.42	44.4%	0.94	1.24	1.87
Weighted average return on equity attributable to shareholders of the Company	14.63%	11.76%	increase by 2.87 percentage point	8.69%	16.84%	41.63%
Weighted average net cash flows from operating activities per share (RMB)	8.03	18.01	-55.4%	17.39	24.91	51.33
	<b>As of 31 December 2014</b>	As of 31 December 2013	Year-end to year-end increase/ decrease	As of 31 December 2012	As of 31 December 2011	As of 31 December 2010
Net assets per share attributable to shareholders of the Company (RMB/share)	15.50	12.60	23.0%	11.50	10.04	5.47

## II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Indicators	Unit: RMB in millions					
	2014/ As of 31 December 2014	2013/ As of 31 December 2013	Year-on-year increase/ decrease	2012/ As of 31 December 2012	2011/ As of 31 December 2011	2010/ As of 31 December 2010
Investment assets	625,718	549,596	13.9%	479,189	374,667	293,573
Total investment yield <sup>(1)</sup>	5.8%	5.2%	increase by 0.6 percentage point	3.3%	4.0%	5.7%
Gross written premiums and policy fees	110,067	104,073	5.8%	98,081	95,151	91,956
Increase rate of gross written premiums and policy fees	5.8%	6.1%	decrease by 0.3 percentage point	3.1%	3.5%	40.6%
Benefits, claims and expenses	132,680	121,652	9.1%	107,666	104,531	100,192

Notes:

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

## III. THE DISCREPANCY BETWEEN THE PRC GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2014 and the consolidated equity of the Company as of 31 December 2014 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

## Section 4

# 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"<sup>1</sup> 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

<sup>1</sup> NCI internal definition

## Section 4

### Chairman's Letter to Shareholders

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.

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."<sup>2</sup> 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"<sup>3</sup> 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"?

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

<sup>3</sup> 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.



"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.

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<sup>4</sup> of 93% and an E Bao Tong underwriting coverage rate<sup>5</sup> 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.

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.

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



## Section 4

### Chairman's Letter to Shareholders

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<sup>6</sup> 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 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.

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)



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."<sup>7</sup> 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."<sup>8</sup>

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)

## Section 4

### Chairman's Letter to Shareholders

"As an old man in a dim and cool night playing the endgame, the reflections of six dynasties may start emerging."<sup>9</sup> 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<sup>10</sup>, 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."<sup>11</sup>

"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 our 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 not 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

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)



## Glories and Awards

- January 2014 At the 2013 Annual Billboard of China Insurance Industry organised by *China Insurance Marketing* magazine and *finance.sina.com.cn*, The Company's "Huifubao endowment insurance" was named the "Most Competitive Product of the Year" and the "Ya'an Campus Safe Drinking Water Project" was granted the "Most Socially Responsible Project of the Year" award.
- January 2014 The Company received the bronze award at the 2nd Listed Company Annual Report Award organised by *Investor Journal Weekly*.
- January 2014 The Company's "Kangjian Huarui Lifetime Critical Illness Insurance" was named the "2013 Health Insurance Product" at the "2013 Insurance Product Election" jointly organised by *China Insurance News*, *sinoins.com* and *finance.sina.com.cn*.
- March 2014 The Company won the "Top 100 Brands" award at the 2014 China Internet Finance Conference Spring Summit and the China Internet Finance Leader Election organised by *China Times*.
- April 2014 The Company won again the "Best Insurance Brand of the Year" award at the 6th Wealth Management Gold Award Election organised by *Shanghai Securities News*.
- May 2014 The Company won the "Most Socially Responsible Listed Company" award at the 1st Listed Company Election and Gold Medal Board Secretary Award Presentation Ceremony organised by *finance.sina.com.cn*.
- June 2014 On the 2014 (11th) list of "China's 500 Most Valuable Brands" published by *World Brand Lab*, the Company was ranked 91st, and was among China's top 100 for the third consecutive year.
- July 2014 The Company was named the "Best Insurance Agency in China" at the 2014 Best Wealth Management Agency Election organised by *Securities Times*.
- August 2014 The Company was among the "12th Top 10 Best Insurance Employers to PRC Graduates" presented by *ChinaHR.com*.
- December 2014 The Company was named the "Best Life Insurance Brand" in the "2014 Eastmoney Billboard", which is the annual large-scale financial campaign organised by *eastmoney.com* and *fund.eastmoney.com*.
- December 2014 The Company was named the "2014 Excellently Competitive Local Insurance Company" and Kang Dian, the Chairman and CEO of the Company was named the "2014 Person of the Year (in Finance)" at the 2014 Excellently Competitive Financial Institutions Election held by *China Business Journal*.
- December 2014 Kang Dian, the Chairman and CEO of the Company won the "Creative Leader" award at the "International Finance Ceremony and Shanghai Pilot Free Trade Zone – 2014 Financial Innovation Summit Forum" organised by *International Finance News*.
- December 2014 The Company was titled the "Annual Chinese Brand Award – Top 10 Most Influential Chinese Insurance Brands" at the "Annual Chinese Brand Award" election organised by *World Brand Lab*.
- December 2014 The Company won the "Gold Governance Award – Excellent Board Secretary of Listed Company" for 2014 organised by *Shanghai Securities News* and *cnstock.com*.
- December 2014 The Company won the "China Women Charity Model Award" jointly awarded by *All China Women's Federation* and *China Women's Development Foundation*.

## Section 5

# 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 Asset Management Company and Asset Management Company (Hong Kong).

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

### I. Key operational indicators

	Unit: RMB in millions		
<b>For the 12 months ended 31 December</b>	<b>2014</b>	2013	Change
Gross written premiums and policy fees	<b>110,067</b>	104,073	5.8%
Total investment income <sup>(1)</sup>	<b>32,323</b>	24,734	30.7%
Net profit for the year attributable to shareholders of the Company	<b>6,406</b>	4,422	44.9%
Value of one year's new business	<b>4,912</b>	4,236	16.0%
Market share <sup>(2)</sup>	<b>8.7%</b>	9.6%	decreased by 0.9 percentage point
Persistency ratio			decreased by 2.76 percentage point
Individual life insurance business 13-month persistency ratio <sup>(3)</sup>	<b>86.43%</b>	89.19%	decreased by 1.38 percentage point
Individual life insurance business 25-month persistency ratio <sup>(4)</sup>	<b>84.21%</b>	85.59%	point
<b>As of 31 December</b>	<b>2014</b>	2013	Change
Total assets	<b>643,709</b>	565,849	13.8%
Net assets	<b>48,364</b>	39,318	23.0%
Investment assets	<b>625,718</b>	549,596	13.9%
Equity attributable to shareholders of the Company	<b>48,359</b>	39,312	23.0%
Embedded value	<b>85,260</b>	64,407	32.4%
Number of customers (in thousands)			
of which: individual customers <sup>(5)</sup>	<b>26,147</b>	25,485	2.6%
of which: institutional customers	<b>64</b>	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.

## Section 5

### Management Discussion and Analysis

#### 1. Analysis by distribution channels

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

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.

## Section 5

### Management Discussion and Analysis

#### 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<sup>(1)</sup> 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.

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

2. Analysis by types of insurance products

Unit: RMB in millions

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

Notes:

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

In 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.

## Section 5

### Management Discussion and Analysis

#### 3. Analysis by geographic regions

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

<b>As of 31 December</b>	<b>2014</b>	2013	Change
Unit: RMB in millions			
<b>Investment assets</b>	<b>625,718</b>	549,596	13.9%
<b>Classified by investment type</b>			
Term deposits <sup>(1)</sup>	<b>167,297</b>	163,137	2.6%
Debt securities	<b>345,518</b>	305,558	13.1%
– Bonds	<b>237,403</b>	245,438	-3.3%
– Trust Plan	<b>59,475</b>	25,641	132.0%
– Debt Plan <sup>(2)</sup>	<b>24,823</b>	4,380	466.7%
– Project Asset Support Plan	<b>20,000</b>	20,000	0.0%
– Others <sup>(3)</sup>	<b>3,817</b>	10,099	-62.2%
Equity securities	<b>70,553</b>	41,589	69.6%
– Funds	<b>22,309</b>	13,067	70.7%
– Stocks <sup>(4)</sup>	<b>34,141</b>	19,118	78.6%
– Investments in associates	<b>10,150</b>	9,404	7.9%
– Others <sup>(5)</sup>	<b>3,953</b>	–	N/A
Cash and cash equivalents <sup>(1)</sup>	<b>14,503</b>	18,570	-21.9%
Other investment assets <sup>(6)</sup>	<b>27,847</b>	20,742	34.3%
<b>Classified by investment purpose</b>			
Financial assets at fair value through income	<b>8,677</b>	2,439	255.8%
Available-for-sale financial assets	<b>175,502</b>	127,895	37.2%
Held-to-maturity securities	<b>175,997</b>	183,008	-3.8%
Loans and other receivables <sup>(7)</sup>	<b>255,392</b>	226,850	12.6%
Investments in associates	<b>10,150</b>	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 <sup>(1)</sup>	1,635	1,630	0.3%
Interest income from other investment assets <sup>(2)</sup>	782	411	90.3%
Net investment income <sup>(3)</sup>	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 <sup>(1)</sup>	271	96	182.3%
Total investment income <sup>(4)</sup>	32,323	24,734	30.7%
Net investment yield (%) <sup>(5)</sup>	5.2%	5.0%	increased by 0.2 percentage point
Total investment yield (%) <sup>(5)</sup>	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
<b>Total</b>				<b>668.92</b>	<b>/</b>	<b>783.95</b>	<b>100.00</b>	<b>347.60</b>

Notes:

- 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.
- Investments in other securities represent investments in other securities apart from the top ten securities.
- Profits/losses during the reporting period in this table are comprised of interest income, dividend income, realized gains/(losses) and unrealized gains/(losses).

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment amount (RMB in millions)	As a percentage of equity interests in that company at the beginning of the period (%)	As a percentage of equity interests in that company at the end of the period (%)	Carrying amount at the end of the period (RMB in millions)	Profits/losses during the reporting period (RMB in millions)	Changes of Equity Ownership during the reporting period (RMB in millions)	Accounting classification	Source of securities
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		
<b>Total</b>		<b>27,537.16</b>	<b>/</b>	<b>/</b>	<b>33,486.56</b>	<b>2,278.79</b>	<b>6,649.95</b>		

Notes:

- 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.
- All carrying amount of The CSICL (Limited) is with selling restrictions.
- The AVIC CAPITAL (Limited) stock includes a carrying amount of RMB245.39 million in the AVIC CAPITAL stock without selling restrictions.
- 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%
<b>Total</b>	<b>643,709</b>	<b>565,849</b>	<b>13.8%</b>

## Section 5

### Management Discussion and Analysis

#### *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

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

## Section 5

### Management Discussion and Analysis

#### *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	
<b>Component</b>				
Gross written premiums and policy fees	<b>110,067</b>	104,073	5.8%	
Less: premiums ceded out	<b>(404)</b>	(293)	37.9%	
Net written premiums and policy fees	<b>109,663</b>	103,780	5.7%	
Net change in unearned premiums liabilities	<b>(193)</b>	(165)	17.0%	
Net premiums earned and policy fees	<b>109,470</b>	103,615	5.7%	
Investment income	<b>31,784</b>	24,374	30.4%	
Other income	<b>840</b>	228	268.4%	
<b>Total</b>	<b>142,094</b>	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.

## Section 5

### Management Discussion and Analysis

#### 2. Insurance business expenditures and other expenses

		Unit: RMB in millions	
For the 12 months ended 31 December	2014	2013	Change
<b>Component</b>			
Insurance benefits and claims	<b>(112,017)</b>	(103,741)	8.0%
Claims and net change in outstanding claims liabilities	<b>(1,115)</b>	(1,186)	-6.0%
Life insurance death and other benefits	<b>(64,883)</b>	(36,601)	77.3%
Increase in long-term insurance contracts liabilities	<b>(46,019)</b>	(65,954)	-30.2%
Investment contracts benefits	<b>(1,144)</b>	(869)	31.6%
Commission and brokerage expenses	<b>(7,641)</b>	(6,422)	19.0%
Administrative expenses	<b>(11,335)</b>	(9,977)	13.6%
Other expenses	<b>(543)</b>	(643)	-15.6%
<b>Total</b>	<b>(132,680)</b>	(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		
<b>For the 12 months ended 31 December</b>		<b>2014</b>	2013	Change
<b>Component</b>				
	Net cash flows from operating activities	<b>25,052</b>	56,205	-55.4%
	Net cash flows from investing activities	<b>(38,544)</b>	(57,118)	-32.5%
	Net cash flows from financing activities	<b>9,414</b>	(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.<sup>(1)</sup> etc.

	Unit: RMB in millions	
<b>For the 12 months ended 31 December</b>	<b>2014</b>	2013
Swiss Reinsurance Company Ltd., Beijing Branch	<b>304</b>	198
China Life Reinsurance Company Ltd.	<b>88</b>	86
Others <sup>(2)</sup>	<b>12</b>	9
<b>Total</b>	<b>404</b>	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	
<b>Rank</b>	<b>Product name</b>	<b>Gross premium income</b>	<b>Standard premium for new policies</b>
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 <sup>(9)</sup>
Xinhua Seniors <sup>(1)</sup>	Corporate management.	562	100%	580	506	(27)
Shanggu Real Estate	Real estate development.	15	100%	16	16	0 <sup>(9)</sup>
Tanzhou Real Estate <sup>(2)</sup>	Real estate development.	10	95%	10	10	0 <sup>(9)</sup>
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)

## Section 5

### Management Discussion and Analysis

Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Wuhan Clinic <sup>(3)</sup>	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 <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	Project investment, real estate management, housing rental.	8	100%	174	8	0 <sup>(9)</sup>
Hainan Seniors <sup>(6)</sup>	Investment, operation and management of Pension residential and infrastructure.	760	100%	535	535	(1)
Guangzhou Yuerong <sup>(7)</sup>	Property management, operation of self-owned real estate, house lease, space lease (excluding storage)	10	100%	10	10	0 <sup>(9)</sup>
Haoran Power <sup>(8)</sup>	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 publication date of this report, 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.



## Section 5

### Management Discussion and Analysis

#### 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.

## Section 6

# Significant Events

### I. Significant litigation, arbitration events and general media doubts

During the reporting period, the significant litigation in which the Company was a defendant is the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity interest in China Minzu Securities Co., Ltd., the particulars of which are as follows:

In order to enforce the Beijing Arbitration Commission's Award and the judgment of Shenzhen Intermediate Court of Guangdong Province, New Industry Investment Co., Ltd., Orient Group Co., Ltd. and the Company reached an agreement, pursuant to which the Company should pay the principal amount of RMB170 million and its interests to Orient Group Co., Ltd., and New Industry Investment Co., Ltd. should then pay the principal amount of RMB170 million and its interests to the Company. The agreement was still being honored during the reporting period.

For details of other litigations regarding the recovery for monetary loss relating to the former chairman's misconduct during the reporting period, please refer to "IX. Other significant events – (V) Recovery for the monetary loss relating to the former chairman's misconduct" in this section.

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

During the reporting period, the Company had no general media doubts.

### II. Non-operating capital attributable to controlling shareholders and their related parties

During the reporting period, the Company had no non-operating capital attributable to controlling shareholders and their related parties.

### III. Acquisition and disposal of assets, merger and division

During the reporting period, the Company had no acquisition or disposal of material assets, merger or division.

#### IV. Connected transactions

##### (I) Continuing connected transactions

During the reporting period, since 98% of the total issued shares of Hwabao Trust Co., Ltd. ("Hwabao Trust") are directly held by Baosteel Group, which is a substantial shareholder of the Company, Hwabao Trust constitutes a connected person of the Company, and therefore the transaction under the *Framework Agreement on the Purchase of Assembled Fund Trust Plan* (《購買集合資金信託計劃框架協議》) (the "Original Agreement") entered into between the Company and Hwabao Trust constitutes a continuing connected transaction of the Company, which is subject to the reporting, annual review and announcement requirements while exempt from the circular and shareholders' approval requirements under Rule 14A.76(2) of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions.

The Company entrusts its subsidiary Asset Management Company for utilization of its insurance funds. In order to optimize fund allocation and in the ordinary course of business of the Company, the Company passed the *Proposal on the Contemplated Continuing Connected Transactions in respect of Entrusted Funds Utilization of the Company* (《關於公司委託資金運用相關事項預計日常關聯交易的議案》) of the year 2013–2014 at the 10th meeting of the fifth session of the Board convened on 27 August 2013 and entered into the Original Agreement with Hwabao Trust. Pursuant to the Original Agreement, the Company intends to subscribe for the assembled fund trust plan products to be issued by Hwabao Trust within a total transaction cap of RMB2.5 billion (the "Original Transaction Cap") by utilizing the entrusted funds from 27 August 2013 to 27 August 2014. The pricing of the assembled fund trust plan products (including but not limited to the price of the products and administrative fee, if any) shall be jointly determined by the Company and Hwabao Trust through negotiation with reference to prevailing market price at the time of signing specific purchase contracts and shall be stipulated in such contracts. Hwabao Trust shall ensure that the pricing it offers to any third party shall not prevail over its offering to the Company under the same category of the same product at that time. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 27 August 2013.

During the reporting period, the validity period of the Original Agreement was about to expire. In order to streamline the consistency between the validity period of the aforesaid continuing connected transactions and the financial year of the Company, the Company passed the *Proposal on the Contemplated Continuing Connected Transactions in respect of Entrusted Funds Utilization of the Company* (《關於公司委託資金運用相關事項預計日常關聯交易的議案》) of the year 2014–2015 at the 21st meeting of the fifth session of the Board convened on 26 August 2014 and entered into *Supplementary Agreement of Framework Agreement on the Purchase of Assembled Fund Trust Plan* 《購買集合資金信託計劃框架協議之補充協議》 (the "Supplementary Agreement") which will be valid until 31 December 2015 with Hwabao Trust on 26 August 2014 for the purpose of supplementing and amending the Original Agreement. Pursuant to the Supplementary Agreement, the Company intends to continue to subscribe for the assembled fund trust plan products to be issued by Hwabao Trust within a total transaction cap of RMB2 billion (the "Annual Cap"), respectively, for years 2014 and 2015 by utilizing the entrusted funds. According to the Supplementary Agreement, Original Transaction Cap has been partly replaced by the Annual Cap of 2014 starting from 1 January 2014. The Supplementary Agreement is an indispensable part of the Original Agreement, and, other than the terms specifically supplemented or amended by the Supplemental Agreement such as the Original Transaction Cap and the period of the Original Agreement, the remainder of the Original Agreement shall continue to be valid. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 26 August 2014.

During the reporting period, the Company has not subscribed for any assembled fund trust plan product issued by Hwabao Trust.

**(II) Other connected transactions**

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

**V. Significant contracts and their performances**

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

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

**(I) Controlling shareholders' commitment relating to avoidance of horizontal competition**

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the section titled "Substantial Shareholder – Relationship with Huijin" in the Prospectus dated 2 December 2011 issued by the Company.

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

**(II) Pre-IPO shareholders' commitment relating to no transfer of the Company's shares within a lock-up period**

For details of pre-IPO shareholders' commitment to not transfer the Company's shares within a lock-up period, please refer to section titled "Share Capital – Lock-up Periods" in the Prospectus dated 2 December 2011 issued by the Company.

During the reporting period, Huijin, our controlling shareholder, had fulfilled its commitment relating to no transfer of the Company's shares within a lock-up period till 16 December 2014.

**(III) Commitment relating to special dividend distribution and the establishment of a public investor protection mechanism**

For details of the commitment of special dividend distribution and the establishment of public investor protection mechanism, please refer to the *Announcement on the Declaration of Special Dividend* issued by the Company on 26 July 2012. As of 15 December 2014, the 36-month deposit period of special dividend distribution fund account expired, and no other actual losses beyond the impairments and provisions in the Prospectus arose from the former chairman's misconduct during the deposit period. The Company has completed the distribution of the aggregate of principal and interest in the special appropriation accounts to all then shareholders. Therefore, the Company has fulfilled its commitment of special dividend and establishment of public investor protection mechanism. For details, please refer to the announcement titled *Announcement on the Fulfilment of Commitment Relating to Special Dividend Distribution and the Establishment of a Public Investor Protection Mechanism* published by the Company on 18 December 2014.

**VII. Appointment of accounting firms**

The annual general meeting of 2013 of the Company held on 20 May 2014 considered and passed the *Proposal regarding the Appointment of Auditors for the Year 2014*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the International auditor of the Company for the year 2014, respectively. For details, please refer to the announcement titled *Proposed Appointment of Auditors* published by the Company on 22 January 2014 and the *Announcement on the Voting Results of the Annual General Meeting of 2013 and Distribution of 2013 Annual Dividend* published by the Company on 20 May 2014.

Ernst & Young Hua Ming LLP is the domestic auditor of the Company for the year 2014. Ernst & Young is the international auditor of the Company for the year 2014. The Company paid a total amount of RMB10.085 million to the auditors as the 2014 annual service fee for auditing, reviewing and executing agreed-upon procedures of the financial reports and the service fee for the profit tax returns declaration of the year 2013.

Ernst & Young Hua Ming LLP is the accounting firm appointed for the Company's internal control audit related to the financial statements for the year 2014. The Company paid RMB1.35 million as its 2014 annual internal control auditing related to the financial statements service fee.

**VIII. Penalty and rectification of the Company and the Company's directors, supervisors, members of senior management and shareholders with over 5% shares**

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or shareholders with over 5% shares was subject to any investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges.

## IX. Other significant events

### (I) Issuance of 2014 debt financing instruments

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 years and a total amount of no more than RMB5 billion. The 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.

### (II) Issuance of 2014 subordinated term debts

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 to issue subordinated term debts with a period of more than 5 years and a total amount of no more than RMB5 billion in 2014. During the reporting period, the Company received the approval from the CIRC titled "*Approval of the Issuance of Subordinated Term Debts by New China Life Insurance Company Ltd.*" (《關於新華人壽保險股份有限公司募集次級定期債務的批復》) (Bao Jian Xu Ke No.[2014] 800), pursuant to which the Company was approved to issue subordinated term debts with maturity term of 10 years and an aggregate amount not exceeding RMB4 billion, and the Company was also required to complete the issuance of subordinated term debts within six months since the date of the approval and to report to CIRC about the results of the issuance. As of the end of the reporting period, the Company has completed the issuance of 2014 subordinated term debts with a total principal amount of RMB4 billion. For details, please refer to the announcement titled *Announcement on the Completion of the Issuance of Subordinate Term Debts* published by the Company on 20 November 2014.

### (III) Issuance of exchangeable bonds by a substantial shareholder of the Company

The Company has received a written notice from Baosteel group, a substantial shareholder of the Company, on 3 April 2014, informing the Company that Baosteel Group proposes to issue certain bonds that are exchangeable into a portion of Baosteel Group's current shareholding in the Company's A Shares (the "Issuance"). For details, please refer to the announcement titled *Announcement in Relation to Exchangeable Bonds Proposed to be Issued by A Substantial Shareholder of the Company* published by the Company on 3 April 2014. Baosteel Group has completed the Issuance on 12 December 2014. A total number of 165,000,000 A Shares (representing approximately 5.29% of the total A Shares and H Shares issued by the Company) of the Company held by Baosteel Group that are exchangeable from the Bonds and the entitlements of such shares have been transferred into a special trust account as guaranteed and trusted assets. For details, please refer to the announcement titled *Announcement In Relation to the Completion of the Issuance of Exchangeable Bonds by A Substantial Shareholder of the Company and the Guarantee and Trust Registration for the Company's A Shares Held by The Shareholder* published by the Company on 16 December 2014.

### (IV) Indirect investment in infrastructure projects

During the reporting period, the Company entrusted Asset Management Company with a total amount of RMB12.968 billion in the debt investment plan and equity investment plan in infrastructure.

**(V) Recovery for the monetary loss relating to the former chairman's misconduct**

1. To settle the fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former chairman, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million and the interests of its debts owed by the Company and New China Trust Co., Ltd. was free from liability. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first-instance ruling and appealed to the Supreme People's Court. On 13 May 2014, the Supreme People's Court made the final instance ruling, which rejected the appeal instituted by Beijing Tianhuan Real Estate Development Co., Ltd. and sustained the the first instance ruling of Chongqing Municipal Higher People's Court. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution of of Beijing Tianhuan Real Estate Development Co., Ltd., and Chongqing Municipal Higher People's Court has accepted the application and issued executive orders. The case is in the process of execution.
2. For details related to the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity in China Minzu Securities Co., Ltd., please refer to "1. Significant litigation, arbitration events and general media doubts" in this section.

## Section 7

# Changes in Share Capital and Shareholders' Profile

### I. Changes in share capital

#### (I) Table of share capital

The share capital of the Company as of 31 December 2014 is as follows:

	31 December 2013		Increase or decrease during the reporting year (+ or -)					31 December 2014	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Unit: share	
								Number	Percentage
1. Shares with selling restrictions									
(1) State-owned shares	984,858,568	31.57%	-	-	-	-984,858,568	-984,858,568	-	-
(2) State-owned legal person shares	-	-	-	-	-	-	-	-	-
(3) Other domestic shares held by:									
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares held by:									
legal persons	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>984,858,568</b>	<b>31.57%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-984,858,568</b>	<b>-984,858,568</b>	<b>-</b>	<b>-</b>
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	1,100,580,772	35.28%	-	-	-	+984,858,568	+984,858,568	2,085,439,340	66.85%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,134,688,032</b>	<b>68.43%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>+984,858,568</b>	<b>+984,858,568</b>	<b>3,119,546,600</b>	<b>100.00%</b>
<b>3. Total number of shares</b>	<b>3,119,546,600</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,119,546,600</b>	<b>100.00%</b>

Note: The reason for the change of shares during the reporting period is the release of selling restriction on the "state-owned shares with selling restriction" since 16 December 2014.

## Section 7

### Changes in Share Capital and Shareholders' Profile

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

The table below shows the changes in the number of shares with selling restrictions of the Company during the reporting period:

Unit: share

No.	Name of shareholders	Number of shares with selling restrictions at the beginning of the year	Increase/decrease of the number of shares with selling restrictions for the year	Number of shares with selling restrictions at the end of the year	Reason for selling restrictions	Expiry date of selling restrictions
1	Central Huijin Investment Ltd.	974,173,154	-974,173,154	0	Restriction upon issuance	2014-12-16
2	The National Council for Social Security Fund of the PRC	10,685,414	-10,685,414	0	Restriction upon issuance	2014-12-16
<b>Total</b>		<b>984,858,568</b>	<b>-984,858,568</b>	<b>0</b>		

#### (III) Issue and listing of securities

##### 1. Issue of securities in the prior three years

As of the end of the reporting period, the Company has no issuance of securities in the preceding three years.

##### 2. Shares held by employees

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

## II. Shareholders

### (I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 36,052 shareholders of the Company, including 35,424 A Shareholders and 628 H Shareholders.

#### Shares held by top ten shareholders

Unit: share

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
HKSCC Nominees Limited <sup>(2)</sup>	Overseas legal person shares	32.62	1,017,670,577	+19,591,263	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	-	-	-	A
Baosteel Group Corporation <sup>(3)</sup>	State-owned legal person shares	15.11	471,212,186	-	-	165,000,000	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	Others	1.16	36,172,552	-44,681,106	-	-	A
Tibet Shannan Xinshang Investment Management Limited	Domestic legal person shares	1.01	31,431,356	+31,431,356	-	-	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.72	22,400,000	-3,600,000	-	-	A
Shanghai Shangyan Investment Center (Limited Partnership)	Others	0.68	21,303,447	-14,862,709	-	-	A
Tibet Shannan Century Golden Resources Investment Management Limited	Domestic legal person shares	0.64	20,000,000	-19,143,368	-	-	A
China Resources SZITICTrust Co., Ltd.-Pureheart Growth Assembled Funds Trust Plan	Others	0.42	13,088,379	+13,088,379	-	-	A
China Resources SZITICTrust Co., Ltd.-Pureheart Value Assembled Funds Trust Plan	Others	0.24	7,591,355	+7,591,355	-	-	A
Description of connected relations or concerted action among the aforesaid shareholders	1. Tibet Shannan Xinshang Investment Management Limited is a subsidiary of CITIC Private Equity Funds Management Co., Ltd., and Shanghai Shangyan Investment Center (Limited Partnership) is the investment entity of a fund operated by CITIC Private Equity Funds Management Co., Ltd. 2. Both China Resources SZITICTrust Co., Ltd.-Pureheart Growth Assembled Funds Trust Plan and China Resources SZITICTrust Co., Ltd.-Pureheart Value Assembled Funds Trust Plan are managed by China Resources SZITICTrust Co., Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

#### Notes:

- As of the end of the reporting period, none of the Company's A Shares and H Shares was subject to selling restrictions.
- HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.
- Baosteel group has completed the Issuance of exchangeable bonds on 12 December 2014. A total number of 165,000,000 A Shares of the Company held by Baosteel Group that are exchangeable from the Bonds and the entitlements of such shares have been transferred into a special trust account as guaranteed and trusted assets. For details, please refer to the announcement titled *Announcement in Relation to the Completion of the Issuance of Exchangeable Bonds by A Substantial Shareholder of the Company and the Guarantee and Trust Registration for the Company's A Shares Held by The Shareholder* published by the Company on 16 December 2014.

As of 19 March 2015, there are 47,972 shareholders of the Company, including 47,351 A Shareholders and 621 H Shareholders.

## Section 7

### Changes in Share Capital and Shareholders' Profile

#### (II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing in December 2003 under the Company Law with the approval of the State Council. The registered capital of Huijin is RMB828.21 billion and the registered address is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC. The legal representative of Huijin is DING Xuedong. The organization code is 71093296-1. As of 31 December 2013, the asset of Huijin amounted to 2,650,373.61 million, the liabilities summed up to RMB135,993.55 million, owners' equity amounted to RMB2,514,380.06 million; net profit for the year 2013 was RMB450,150.74 million; and the net cash flow produced from operating activities, investing activities and financing activities was RMB41,743.76 million. Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, and does not intervene in the daily operations of the major state-owned financial enterprises which it controls.

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

No.	Company Name <sup>(1)</sup>	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited	35.12%
2	Agricultural Bank of China Limited	40.28%
3	Bank of China Limited	65.52%
4	China Construction Bank Corporation	57.26%
5	China Everbright Bank Company Limited	41.24%
6	New China Life Insurance Company Ltd.	31.34%

Notes:

1. All the six institutions in the above table are listed on both SSE and HKSE.
2. On 26 January 2015, Shenwan Hongyuan Group Co., LTD, which is established after the merger between Shenyin & Wanguo Securities Co., Ltd. and Hong Yuan Securities Co., Ltd., listed on the Shenzhen Stock Exchange (Stock Code: 000166). Huijin holds 25.03% shares of Shenwan Hongyuan Group Co., LTD.

The Company does not have any actual controller.

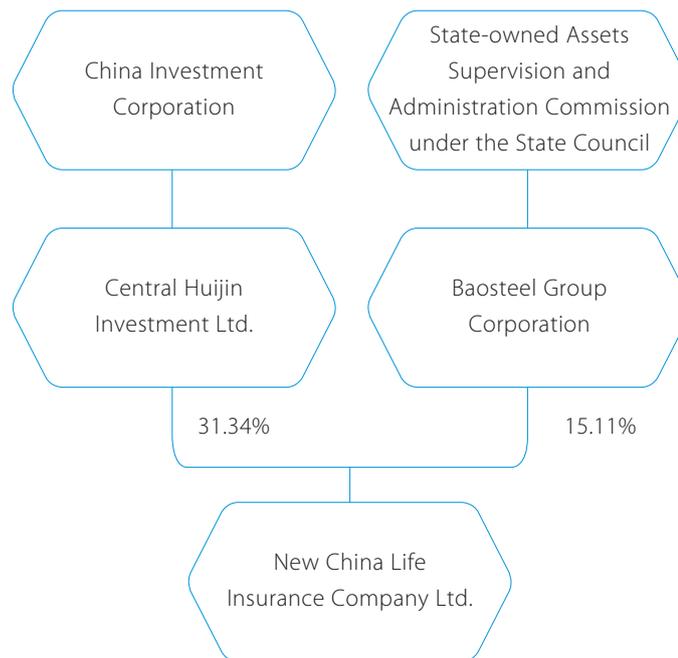
(III) Other corporate shareholders holding 10% or more of the shares in the Company

**Baosteel Group**

Baosteel Group, established on 1 January 1992, is a legally established wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission under the State Council performs the duties of investor on behalf of the State Council. The registered capital of Baosteel Group is RMB52,791,101,000 and the registered address is No.370 Pudian Road, Pudong New District, Shanghai, PRC. The legal representative of Baosteel Group is XU Lejiang. The organization code of Baosteel Group is 13220082-1. The business scope of Baosteel Group includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment businesses, and operations in industry sectors such as iron and steel, metallurgy and mining, coal, chemical industry (except hazardous substances), electricity, ports, logistics, transportation, iron and steel related business, and technology development, technology transfer, technology service and management consultancy, import and export approved by relevant government departments, domestic and overseas trade (non-special) and services.

Saved as disclosed above, as of 31 December 2014, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as of 31 December 2014:



## Section 7

### Changes in Share Capital and Shareholders' Profile

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

So far as the directors of the Company are reasonably aware of, as of 31 December 2014, Baosteel Group holds 471,212,186 A Shares of the Company, representing 15.11% of the total shares the Company issued, and 22.60% of the total A Shares the Company issued.

In addition to the above, so far as the directors of the Company are reasonably aware of, as of 31 December 2014, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

	Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage of the total shares issued	Percentage of the A Shares issued	Percentage of the H Shares issued	Long Position/ Short Position/ Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	974,347,488	31.23	46.72	-	Long Position
2	Norges Bank	H Share	Beneficial owner	61,943,800	1.99	-	5.99	Long Position
3	Swiss Re Ltd	H Share	Interests of Controlled Corporation	152,857,800 (Note 3)	4.90	-	14.78	Long Position
4	Overseas-Chinese Banking Corporation Limited	H Share	Interests of Controlled Corporation	103,538,600 (Note 4)	3.32	-	10.01	Long Position
5	Great Eastern Holdings Limited	H Share	Interests of Controlled Corporation	103,538,600 (Note 4)	3.32	-	10.01	Long Position
6	The Great Eastern Life Assurance Company Limited	H Share	Beneficial owner	63,158,500 (Note 4)	2.02	-	6.11	Long Position
7	Fosun Holdings Limited	H Share	Interests of Controlled Corporation	72,462,000 (Note 5)	2.32	-	7.01	Long Position
8	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	72,462,000 (Note 5)	2.32	-	7.01	Long Position
9	Fosun International Limited	H Share	Interests of Controlled Corporation	49,792,800	1.60	-	4.82	Long Position
			Beneficial owner	22,669,200 (Note 5)	0.73	-	2.19	Long Position
10	Guo Guangchang	H Share	Interests of Controlled Corporation	72,462,000 (Note 5)	2.32	-	7.01	Long Position
11	BlackRock, Inc.	H Share	Interests of Controlled Corporation	64,851,026 (Note 6)	2.08	-	6.27	Long Position

Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
3. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Overseas-Chinese Banking Corporation Limited indirectly holds interest in Great Eastern Holdings Limited, and is therefore deemed to be interested in the 103,538,600 H Shares held by Great Eastern Holdings Limited. Great Eastern Holdings Limited directly holds interest in The Great Eastern Life Assurance Company Limited, The Overseas Assurance Corporation Limited and The Great Eastern Trust Private Limited separately, and is therefore deemed to be interested in the 63,158,500 H Shares held by The Great Eastern Life Assurance Company Limited, the 9,318,500 H Shares held by The Overseas Assurance Corporation Limited and the 31,061,600 H Shares held by The Great Eastern Trust Private Limited.
5. Mr. Guo Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited and other companies controlled or indirectly controlled by it.
6. BlackRock, Inc. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as of 31 December 2014, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

## Section 8

# Directors, Supervisors, Senior Management and Employees

### I. Directors, supervisors and members of senior management

#### (I) Directors

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
KANG Dian	Executive Director and Chairman	In Office	Male	July 1948	Since February 2013	312.89	208.20	No
WAN Feng	Executive Director	In Office	Male	April 1958	Since November 2014	113.10	71.05	No
ZHAO Haiying	Non-Executive Director	In Office	Female	January 1965	Since February 2013	-	-	Yes
MENG Xingguo	Non-Executive Director	In Office	Male	November 1955	Since February 2013	-	-	Yes
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since February 2013	-	-	Yes
Wu Kunzong	Non-Executive Director	In Office	Male	February 1971	Since July 2014	-	-	Yes
LIU Lefei	Non-Executive Director	In Office	Male	May 1973	Since July 2014	-	-	Yes
DACEY John Robert	Non-Executive Director	In Office	Male	May 1960	Since August 2014	-	-	Yes
CAMPBELL Robert David	Independent Non-Executive Director	In Office	Male	August 1954	Since February 2013	25.20	4.80	No
CHEN Xianping	Independent Non-Executive Director	In Office	Female	November 1954	Since February 2013	21.00	4.00	No
WANG Yuzhong	Independent Non-Executive Director	In Office	Male	May 1949	Since February 2013	21.00	4.00	No
ZHANG Hongxin	Independent Non-Executive Director	In Office	Male	December 1965	Since February 2013	21.00	4.00	No
ZHAO Hua	Independent Non-Executive Director	In Office	Male	June 1954	Since February 2013	25.20	4.80	No
FONG Chung Mark	Independent Non-Executive Director	In Office	Male	June 1951	Since February 2013	21.00	4.00	No
WANG Chengran	Non-Executive Director	Resigned	Male	April 1959	Since February 2013 until January 2014	-	-	Yes
CHEN Johnny	Non-Executive Director	Resigned	Male	October 1959	Since February 2013 until January 2014	-	-	No
ZHAO John Huan	Non-Executive Director	Resigned	Male	January 1963	Since February 2013 until March 2015	-	-	No

Notes: The statistical period of Mr.WAN Feng's remuneration is from September 2014 to December 2014.

## (II) Supervisors

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
WANG Chengran	Supervisor and Chairman of the Board of Supervisors	In Office	Male	April 1959	Since July 2014	-	-	Yes
AI Bo	Shareholder Representative Supervisor	In Office	Female	February 1971	Since February 2013	-	-	Yes
CHEN Xiaojun	Shareholder Representative Supervisor	In Office	Male	March 1959	Since February 2013	-	-	No
LV Hongbo	Shareholder Representative Supervisor	In Office	Male	February 1976	Since March 2013	-	-	Yes
LIU Yiyi	Employee Representative Supervisor	In Office	Female	April 1960	Since February 2013	143.54	65.68	No
ZHU Tao	Employee Representative Supervisor	In Office	Male	April 1958	Since February 2013	87.51	25.84	No
YANG Jing	Employee Representative Supervisor	In Office	Female	June 1962	Since February 2013	56.75	14.08	No
CHEN Jun	Supervisor and Chairman of the Board of Supervisors	Resigned	Male	February 1960	Since February 2013 until April 2014	81.64	52.33	No

Notes: The statistical period of Mr. CHEN Jun's remuneration is from January 2014 to April 2014.

(III) Members of senior management

Unit: 10 thousand RMB

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
KANG Dian	Chief Executive Officer	In Office	Male	July 1948	Since February 2013	312.89	208.20	No
WAN Feng	Chief Operation Officer (President)	In Office	Male	April 1958	Since October 2014	113.10	71.05	No
HUANG Ping	Vice President	In Office	Male	March 1956	Since April 2001	293.68	200.98	No
LIU Yigong	Vice President	In Office	Male	September 1959	Since December 2004	287.76	180.22	No
CHEN Guogang	Vice President	In Office	Male	December 1959	Since July 2011	265.50	177.93	No
	Chief Financial Officer (Financial Principal)				Since April 2010			
YUE Ran	Assistant to President Chief Human Resource Officer	In Office	Male	February 1963	Since February 2013 Since April 2010	240.42	143.15	No
GONG Xingfeng	Assistant to President Chief Actuary	In Office	Male	October 1970	Since February 2013 Since September 2010	198.30	106.89	No
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since July 2011	208.69	118.91	No
SUN Yuchun	Assistant to President	In Office	Male	April 1967	Since July 2011	198.89	107.37	No
ZHU Ying	Assistant to President Board Secretary Chief Risk Officer (Compliance Principal) Audit Principal	In Office	Male	February 1971	Since February 2013 Since July 2011 Since February 2013 Since October 2013	202.13	113.35	No
TANG Gengrong	Assistant to President	In Office	Male	January 1961	Since February 2013	189.01	102.44	No
LI Yuan	Assistant to President	In Office	Male	August 1962	Since February 2013	203.46	113.91	No
CHEN Zhengyang	Assistant to President	In Office	Male	April 1971	Since February 2013	200.85	110.44	No
YU Zhigang	Assistant to President	In Office	Male	December 1964	Since February 2013	200.72	112.60	No
CHEUNG Wing Kuen Samuel	Assistant to President Chief Information Officer	Resigned	Male	September 1964	Since February 2013 until November 2014 Since November 2011 until November 2011	149.75	79.78	No

Notes:

- The statistical period of Mr. WAN Feng's remuneration is from September 2014 to December 2014.
- The statistical period of Mr. CHEUNG Wing Kuen Samuel's remuneration is from January 2014 to November 2014.

## II. Biographies of directors, supervisors and senior management

### (I) Directors

**Mr. KANG Dian**, Age 66, Chinese (Hong Kong Permanent Resident)

Mr. KANG Dian has been the Chairman of the Board and an Executive Director of the Company since December 2009, and the Chief Executive Officer (CEO) of the Company since February 2013. Mr. KANG has also served as chairman of Asset Management Company since January 2010. Prior to joining our Company, Mr. KANG served as chairman of the board of supervisors of Shenzhen Development Bank Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 000001) from 2005 to 2009, chairman of Springridge Investment Management Limited from 2001 to 2005, director and vice president of the Guangdong Enterprises (Holdings) Limited, chairman of the board of the Guangdong Securities Limited and Guangdong Capital Holdings Ltd. from 1994 to 2000, as well as vice president of China National Packaging Corporation from 1990 to 1994. He also served as vice president of China Agribusiness Trust & Investment Corporation from 1987 to 1990 and worked at the Overseas Investment Department of China International Trust & Investment Corporation from 1984 to 1987. Mr. KANG also served as an independent non-executive director of Silver Grant International Industries Limited (a company listed on the HKSE, stock code: 00171) from May 1998 to February 2014. Mr. KANG graduated from Beijing Steel and Iron Institute in 1982. He also received a master's degree in economics from the Graduate School of the Chinese Academy of Social Sciences in 1984.

**Mr. WAN Feng**, Age 56, Chinese

Mr. WAN Feng has been an Chief Operation Officer (president) of the Company since October 2014 and the Executive Director of the Company since November 2014. Mr. WAN has also served as a non-executive director of Asset Management Company since February 2015. Prior to joining the Company, he successively served as a vice general manager, a member of party committee, a vice president, a vice secretary of party committee, the president, the secretary of party committee and the vice chairman of the board at China Life Insurance Company Ltd. (a company listed on New York Stock Exchange, stock code: LFC; listed on the SSE, stock code: 601628; listed on the HKSE, stock code: 2628) from August 2003 to August 2014; and during the period from September 2007 to August 2014, he also served as a vice president and a member of the party committee at China life Insurance (Group) Company Ltd.. Mr Wan served as a vice general manager, a member of party committee, and the general manager and secretary of party committee of Shenzhen Branch, at China Life Insurance Company from March 1999 to August 2003; and the general manager and secretary of party committee at Shenzhen Branch of PICC Life Insurance Company Ltd. from June 1997 to March 1999; and a senior vice general manager at Hong Kong Branch of Taiping Life Insurance Company from April 1994 to June 1997; and an assistant general manager at Hong Kong Branch of China Life Insurance Company Ltd. from January 1989 to April 1994; and a cadre and a vice director of the life insurance division, and a vice general manager at Jilin Branch of People's Insurance Company of China from August 1982 to January 1989. Mr.Wan has senior economist title, and was granted special allowance by the State Council. Mr.Wan received a bachelor degree in Economics from Jilin College of Finance and Trade in 1982, a master degree in business administration from the Open University of Hong Kong in 2001, a doctor degree in economics from Nankai University in 2003.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Ms. ZHAO Haiying**, Age 50, Chinese

Ms. ZHAO Haiying has been a Non-Executive Director of the Company since December 2009. She currently serves as a member of the executive committee of China Investment Corporation, vice general manager of Huijin and a director of China International Capital Corporation Limited. Ms. ZHAO served as a committee member of the 11th and the 12th National Committee of the Chinese People's Political Consultative Conference. From February 2012 to April 2012, Ms. ZHAO was a member of the executive committee of China Investment Corporation and a vice general manager of Huijin as well as the director of its securities institution management department. From October 2009 to February 2012, she served as vice general manager of Huijin as well as the director of its non-bank department. Ms. ZHAO served as head of the department of asset allocation and strategic research of China Investment Corporation from September 2007 to October 2009, a director of the Industrial and Commercial Bank of China Limited (a company listed on the SSE, stock code: 601398; listed on the HKSE, stock code: 01398) from October 2005 to December 2008 and, in the meantime, the head of the department of research and legal affairs of Huijin from May 2006 to September 2007. Ms. ZHAO also served as deputy director of the department of public offering supervision of the CSRC from January 2002 to October 2005 and a commissioner of the strategy and development commission of the CSRC from January 2001 to January 2002. Ms. ZHAO taught at the School of Economics and Finance of the University of Hong Kong from 1995 to 2001 and served as a consultant for the Asian Development Bank from 1995 to 1997. She also taught at the Business School of Hong Kong University of Science and Technology from 1992 to 1995. Ms. ZHAO received a bachelor's degree in precision instrument from Tianjin University in 1984 and a doctorate degree in economics from the University of Maryland in 1992.

#### **Mr. MENG Xingguo**, Age 59, Chinese

Mr. MENG Xingguo has been a Non-Executive Director of the Company since December 2009. He is currently employed by Huijin. He also serves as a non-executive director of New China Asset Management Company and an independent non-executive director of APT Satellite Holdings Limited (a company listed on the HKSE, stock code: 01045). Prior to that, Mr. MENG served as the director of the insurance division in the department of non-banking financial institutions of Huijin from December 2007 to January 2011, a director of China Reinsurance Group Co., Ltd. appointed by Huijin from December 2006 to December 2007, a senior consultant to the China Advisory Panel of the Financial Planning Standards Board from May 2004 to December 2006, as well as the senior vice president of Sun Life Everbright Life Insurance Company from May 2000 to May 2004. He also served as the executive vice president of Allianz Dazhong Life Insurance Co., Ltd. from November 1997 to May 2000, a deputy division head of the Shenzhen branch of the People's Bank of China from September 1994 to November 1997 and a principal staff member of the reinsurance department of People's Insurance Company of China from September 1985 to January 1988. Mr. MENG received a doctorate degree from the School of Business and Management of Temple University in 1994.

#### **Mr. LIU Xiangdong**, Age 45, Chinese

Mr. LIU Xiangdong has been a Non-Executive Director of the Company since October 2010. He is currently employed by Huijin and previously served as a senior manager of the Comprehensive Management Department of Huijin from December 2009 to November 2010. From July 2003 to December 2009, Mr. LIU successively served as vice directorate secretary, directorate secretary and assistant inspector in the General Office of the State Council Development Research Center. He also served as principal staff member, assistant researcher and vice division director of the administrative department of the State Council Office for Restructuring the Economic Systems from September 1998 to July 2003, as well as a staff member and vice principal of the personnel department in the State Commission for Restructuring the Economic Systems from January 1995 to September 1998. He received a master's degree in western economics from Peking University in 1999 and a doctorate degree in finance from Renmin University of China in 2009.

**Mr. WU Kunzong**, Aged 44, Chinese

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

**Mr. LIU Lefei**, Aged 41, Chinese

Mr. LIU Lefei has been a Non-Executive Director of the Company since July 2014. Mr. LIU currently is the chairman and chief executive officer of CITIC Private Equity Funds Management Co., Ltd., and serves as a director as well as the vice chairman of the board of CITIC Securities Company Limited (a company listed on the SSE, stock code: 600030; listed on the HKSE, stock code: 06030), an independent non-executive director of China Life Asset Management Company Limited. Prior to this, from 1998 to 2008 he held various positions including an executive director of Capital Securities Company Limited, a general manager of the head office of investment management of China Galaxy Securities and the chief investment executive officer and a general manager of the investment management department of China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange, stock code: LFC; listed on the SSE, stock code: 601628; listed on the HKSE, stock code: 2628). Mr. LIU also worked for the General and Reformation Office of the Ministry of Finance of the PRC from 1995 to 1998. Mr. LIU obtained a bachelor's degree in economics from Renmin University of China in 1995 and a master's degree in business administration from China Europe International Business School in 2006.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. DACEY John Robert**, Aged 54, American

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

#### **Mr. CAMPBELL Robert David**, Age 60, English

Mr. CAMPBELL Robert David has been an Independent Non-Executive Director of the Company since December 2009. He has worked in the actuarial field for over 30 years. Since January 2010, Mr. CAMPBELL has been an independent non-executive director of China Life Insurance (Overseas) Company Limited. After his retirement from PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch and PricewaterhouseCoopers LLP in June 2008, Mr. CAMPBELL acted as a consultant to PricewaterhouseCoopers Thailand until December 2009. Prior to this, Mr. CAMPBELL served as the head of the Asia Pacific insurance business of PricewaterhouseCoopers LLP from 2004 to June 2008, a partner of PwC Consultants (Shenzhen) Ltd. Shanghai Branch from 2003 to June 2008, a partner of the actuarial business of PricewaterhouseCoopers LLP (UK) from 1997 to 2003, an actuarial consultant and then a partner of Bacon & Woodrow, an actuarial consulting firm from 1976 to 1997. Mr. CAMPBELL is a Fellow of the Institute of Actuaries of England. He received a master's degree in mathematics and statistics from Oxford University in 1976.

#### **Ms. CHEN Xianping**, Age 60, Chinese

Ms. CHEN Xianping has served as an Independent Non-Executive Director of the Company since December 2009. She is currently a vice president of Beijing Financial Education Co., Ltd.. She previously served as the deputy secretary general of the China Advisory Panel under the Financial Planning Standards Board from February 2009 to April 2010, the deputy secretary general of the Financial Planning Standards Council under the China Foundation for Development of Financial Education from December 2004 to January 2009, the head of Beijing Financial Training Center from November 2006 to October 2007, and the chief operating officer of Winsure net of Beijing Simplex Netech Co., Ltd. from June 2000 to December 2003. From 1997 to 2000, she was in charge of applying for the establishment of an insurance brokerage company. From February 1993 to December 1996, Ms. CHEN served as the deputy general manager of Beijing Zhonglian Consultancy Joint Stock Company. From July 1985 to February 1993, she served as a principal staff member, deputy manager, manager of division and assistant department general manager of People's Insurance Company of China. Ms. CHEN is an economist granted by People's Insurance Company of China and received a master's degree in money and banking from the Graduate School of the People's Bank of China in 1985.

**Mr. WANG Yuzhong**, Age 65, Chinese

Mr. WANG Yuzhong has been an Independent Non-Executive Director of the Company since December 2009. Mr. WANG retired from Sinochem Group in May 2009 after working at large state-owned enterprises and various domestic and overseas financing institutions over an extensive period of time. Prior to that, he served as vice general manager of Manulife-Sinochem Life Insurance Company from May 1998 to May 2003, executive vice president of Sinochem Asia Holdings Co. Ltd. from February 1995 to March 1997, general manager of Sino-Heath Insurance Broker Co. Ltd. from July 1989 to March 1993, a deputy division director of the International Economics Research Institute of the Ministry of Foreign Trade and Economics from October 1985 to August 1987, and a staff member of the Beijing Import and Export Administration Committee from August 1982 to March 1983. Mr. WANG is a senior international business engineer granted by the Ministry of Foreign Trade and Economics Cooperation and is granted as a Fellow of Life Office Management Institute (FLMI) by Life Office Management Institute USA. He received a master's degree in international management from the Universite Catholique de Louvain in Belgium in 1989.

**Mr. ZHANG Hongxin**, Age 49, Chinese

Mr. ZHANG Hongxin has been an Independent Non-Executive Director of the Company since December 2009. From January 2000 till now, Mr. ZHANG is the chairman of the Zhongzi Assets Appraisal Co., Ltd.. Prior to that, Mr. ZHANG was a department manager, deputy general manager and the general manager of the Zhongzi Assets Appraisal Office of the China International Engineering Consulting Corporation from December 1992 to December 1999, an engineer in the department of economic and legal affairs of the China International Engineering Consulting Corporation from July 1988 to November 1992. Mr. ZHANG is a director of the China Appraisal Society and an executive director of the Beijing Institute of Certified Public Accountants. Mr. ZHANG is an engineer granted by the State Planning Commission of the PRC, a real estate appraiser granted by the Ministry of Construction of the PRC and a certified public valuer granted by the China Appraisal Society. He received a master's degree in economics from Tianjin College of Finance and Economics in 1999.

**Mr. ZHAO Hua**, Age 60, Chinese

Mr. ZHAO Hua has been an Independent Non-Executive Director of the Company since December 2009. He is currently a vice general manager of China National Investment and Consulting Co., Ltd., a subsidiary of State Development & Investment Corporation. Prior to that, Mr. ZHAO served as a director of the consulting department of China Investment Association from January 2001 to May 2004, the chairman of Beijing Zhongzi North Investment Advisory Consultants Ltd. of China International Engineering Consulting Corporation from August 1995 to December 2000, the assistant general manager of China International Engineering Consulting Corporation from August 1993 to August 1995, the general manager of Hainan Economic Construction Consulting Corporation of China International Engineering Consulting Corporation from February 1989 to August 1993, a senior engineer of the textile department of China International Engineering Consulting Corporation from November 1986 to February 1989, and an engineer of Beijing Institute of Aeronautical Materials under the Ministry of Aviation Industry from September 1980 to November 1986. Mr. ZHAO is a senior engineer granted by the State Planning Commission and a registered consulting engineer granted by the National Development and Reform Commission. He graduated from the Graduate School of the Chinese Academy of Social Sciences majoring in monetary banking in 1998.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. FONG Chung Mark**, Age 63, Chinese (Hong Kong Permanent Resident)

Mr. FONG Chung Mark has served as an Independent Non-Executive Director of the Company since July 2011. He currently also serves as an independent non-executive director of Sinopec Kantons Holdings Limited (a company listed on the HKSE, stock code: 00934) (since September 2004 till now), an independent non-executive director of Macau Legend Development Limited (a company listed on the HKSE, stock code: 01680) (since June 2012 till now), and an independent non-executive director of Worldsec Limited (a company listed on the London Stock Exchange, stock code: WSL) (since February 1997 till now). He also served as an executive director for China development of Grant Thornton International Ltd. from June 2009 to December 2013, and retired in January 2014. He served as a partner in Grant Thornton from June 2007 to May 2009. Mr. FONG served as a managing partner in Moores Rowland in Hong Kong from April 1981 to May 2007, and as an assistant to partner in Kwan Wong Tan & Fong from November 1977 to March 1981. Mr. FONG is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales. He has been a Fellow of the Hong Kong Institute of Certified Public Accountant (Practising) from 1980 to 2010. Mr. FONG received his bachelor's degree in electronic & electrical engineering from University College London in 1972 and received his master's degree in biomechanics from University of Surrey in 1973.

#### (II) Supervisors

#### **Mr. WANG Chengran**, aged 55, Chinese

Mr. WANG Chengran has been a Shareholder Representative Supervisor and Chairman of the board of supervisors of the Company since July 2014 and currently serves as a secretary of the financial system party committee of Baosteel Group, a non-executive director of New China Asset Management Co., Ltd., a non-executive director of Huatai Insurance Group Co., Ltd. and a non-executive director of China Bohai Bank Co., Ltd., a non-executive director of Shanghai Baosight Software Co., Ltd. (a company listed on the SSE, stock code: 600845), a non-executive director of Sailing Capital International(Shanghai) Limited. Mr. WANG served as a non-executive director of the Company from December 2009 to January 2014. Since May 2009, Mr. WANG has served as a non-executive director of China CSSC Holdings Limited (a company listed on the SSE, stock code: 600150) and has served his consecutive term since re-elected in 2011. Since June 2010, he has served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE, stock code: 601601; listed on the HKSE, stock code: 02601) and has served his consecutive term since re-elected in 2013. Mr. WANG served as assistant general manager of Baosteel Group from May 2009 to June 2012 and director of the audit department of Baosteel Group from January 2010 to March 2011. He also served as the chairman of Fortune Investment Co., Ltd. from June 2009 to January 2010 and was also appointed as business director and director of the asset management department of Baosteel Group from April 2008 to May 2009, successively the vice director and the director of the asset management department of Baosteel Group from June 2003 to April 2008, successively the vice director and the director of the asset management division of the finance department of Baosteel Group from October 1998 to June 2003. Mr. WANG is an economist granted by Baoshan Steel & Iron Factory. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

**Ms. AI Bo**, Age 44, Chinese

Ms. AI Bo has been a Shareholder Representative Supervisor of the Company since January 2010. She currently serves as a senior manager of the Department of Institutional Integrity of China Investment Corporation. Ms. AI served as a senior deputy manager of the Department of Institutional Integrity of China Investment Corporation from 2008 to 2010, the principal staff member and vice director of the No. 2 Inspection Office of the Discipline Commission of the Communist Party of China from 2000 to 2008, and a staff member and vice principal staff member of the Integrated Inspection Office of the Discipline Commission of the Communist Party of China from 1993 to 2000. Ms. AI graduated from the undergraduate program of the Central University of Finance and Economics majoring in monetary banking in 2001.

**Mr. CHEN Xiaojun**, Age 56, Chinese

Mr. CHEN Xiaojun has been a Shareholder Representative Supervisor of the Company since January 2010. He currently serves as the chairman of Zhenjiang KF Mobile System Company, and serves as a supervisor of New China Asset Management Company. Mr. CHEN served as a China representative of the World Wheelchair Foundation from 2004 to 2007, the chairman and general manager of Beijing Keland Technology Co., Ltd. from 2002 to 2004, the chairman and general manager of Beijing Honlink Technology Co., Ltd. from 2001 to 2003, and a staff officer of the Technology Equipment Bureau of General Logistics Department of the People's Liberation Army (the "PLA") from 1985 to 2001. Mr. CHEN graduated from the PLA Nanjing Institute of Communications Engineering with a major in radio communications engineering in 1983.

**Mr. LV Hongbo**, Age 39, Chinese

Mr. LV Hongbo has been a Shareholder Representative Supervisor of the Company since March 2013. He currently serves as investment vice president of CITIC Private Equity Funds Management Co., Ltd., and a director of Sichuan Shengdilecun Eco-food Co., Ltd., as well as a supervisor of Tibet Shannanxinshang Investment Management Co., Ltd.. Mr. LV served as vice president of Industry Funds Business Line at CITIC Securities Company Limited (a company listed on the SSE, stock code: 600030; listed on the HKSE, stock code: 06030) from 2006 to 2008, and previously, he served as a senior investment manager at Beijing Tomorrow Holding Company Limited from 2001 to 2006. From 1998 to 2001, he served as the financial manager at Dalian Tianhe Real Property Group Co., Ltd.. Mr. LV graduated from Hunan University of Finance and Economics majoring in Finance in 1998, and further obtained his master's degree in management science and engineering from the Graduate School of Chinese Academy of Sciences in 2007. He obtained an EMBA degree from Cheung Kong Graduate School of Business in 2013.

**Ms. LIU Yiyi**ng, Age 54, Chinese

Ms. LIU Yiyi has been an Employee Representative Supervisor of the Company since January 2010. She currently serves as a general inspector and the general manager of the Audit Department of the Company, as well as a supervisor of the board of supervisors of Xinhua Seniors and Health Technology. Since joining the Company in 1997, Ms. LIU has successively held various positions including assistant general manager and deputy general manager of the Discipline and Investigation Department, general manager of the Inspection Department and general manager of the Compliance Department. Prior to joining the Company, Ms. Liu held various positions in People's Insurance Company of China from 1983 to 1997, including a vice director of the planning department, finance department and inspection department. Ms. LIU holds the Certified Diploma in accounting and finance granted by the Association of Chartered Certified Accountants (ACCA). She is a Certified Senior Enterprise Risk Manager as well as a senior economist granted by the People's Insurance Company (Group) of China Limited. Ms. LIU graduated in 1983 and received a bachelor's degree in economics from the Beijing Finance and Trade Institute. She obtained an EMBA degree from Tsinghua University in 2011.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. ZHU Tao**, Age 56, Chinese

Mr. ZHU Tao has been an Employee Representative Supervisor of the Company since January 2010, and currently serves as the presiding deputy general manager and chairman of the labor union of our Tianjin Branch. Since joining the Company in 1999, he has successively held various positions in our Tianjin Branch, including vice manager of the administration and human resources department, manager of the health insurance department, manager of the administrative management department, assistant general manager and deputy general manager. From 1995 to 1999, he worked at Tianjin Social Insurance Company as the vice director of its life insurance department. He served as a vice regiment-level secretary of the political department of PLA Navy Press from 1990 to 1995, and served as the publicity secretary and political instructor of a unit of the Headquarters of the General Staff of the PLA from 1976 to 1990. Mr. ZHU is a senior political advisor certified by the Tianjin Municipal Senior Political Advisors Evaluation Committee. He completed his studies in insurance as a graduate student in Nankai University and graduated from the Party School of Tianjin Municipal Committee of the Communist Party of China with a divisional cadre graduate degree in 1999 and 2000, respectively.

#### **Ms. YANG Jing**, Age 52, Chinese

Ms. YANG Jing has been an Employee Representative Supervisor of the Company since January 2010 and currently serves as the chairman of the Institutional Labor Union and the presiding deputy general manager of the Department of Party-Masses Relationship of the Company. Since joining the Company in 1997, Ms. Yang has consecutively served as the deputy director of the general office of the Training Department, the assistant to the manager of the Administration and Human Resources Department of our Tianjin Branch, a manager of the Human Resources Department and the general manager assistant of the Department of Party-Masses Relationship of the Company. From 2001 to 2004, she was stationed at the Insurance Association of China as a director of its secretariat. Prior to joining the Company, she served as an instructor at the Beijing Institute of Economics (now known as Capital University of Economics and Business). Ms. YANG graduated from the Beijing Institute of Economics and obtained a bachelor's degree in economics majoring in industrial enterprises management. Ms. YANG completed advanced graduate studies in finance at the Central University of Finance and Economics in 2000.

### (III) Members of senior management

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

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

#### **Mr. HUANG Ping**, Age 59, Chinese

Mr. HUANG Ping has been a Vice President of our Company since April 2001. Since he joined our Company in September 2000 until March 2001, Mr. HUANG had served as an assistant to the President. Prior to joining the Company, Mr. HUANG served as the chief supervisor and vice president of life insurance business of Ping An Insurance Co., Ltd. of China from January 1996 to December 1999, the general manager of the Shenzhen branch of Ping An Insurance Company of China from January 1995 to December 1995, the general manager of the life insurance department of Ping An Insurance Company of China from March 1991 to December 1994, the vice director of the life insurance division of the Hunan branch of the People's Insurance Company of China from September 1984 to February 1991, a director of the general office of the Changsha Municipal Committee of the China Communist Youth League from November 1978 to August 1984. Mr. HUANG is a senior economist certified by Ping An Insurance.

**Mr. LIU Yigong**, Age 55, Chinese

Mr. LIU Yigong has been a Vice President of the Company since December 2004 and our regional general manager of Central China since November 2014. Mr. LIU had served as an assistant to the President and general manager of our Beijing Branch since he joined us in October 2004 till November 2004 and the compliance officer of the Company from April 2010 to February 2013. Prior to joining the Company, he served as the deputy director of new business channels department of Ping An Insurance (Group) Company of China, Limited (a company listed on the SSE, stock code: 601318; listed on the HKSE, stock code: 02318) from August 2004 to October 2004, the general manager of Qingdao branch of Ping An Insurance Co., Ltd of China from June 1998 to July 2004, a senior director of financial investment department, the deputy general manager of industrial investment department, the deputy general manager of its securities investment department, the general manager of its human resources department of Ping An Insurance Company of China from 1992 to 1998. Mr. LIU is a senior economist granted by the Guangdong Provincial Department of Personnel, and a Certified Senior Enterprise Risk Manager (CSERM) approved by the Asia Association of Risk and Crisis Management. He received a master's degree in economics from Zhongnan University of Finance and Economics in 1996.

**Mr. CHEN Guogang**, Age 55, Chinese

Mr. CHEN Guogang has been the Chief Financial Officer of our Company since April 2010 and has been a Vice President of the Company since July 2011. He currently also serves as a non-executive director of Asset Management Company, a supervisor at both Xi'an Clinic and Wuhan Clinic, and an independent director at Guotai Junan Securities Co., Ltd. since 2013. Prior to joining the Company in April 2010, Mr. CHEN served as a director of Sinofert Holdings Limited (a company listed on the HKSE, stock code: 00297) from 2005 to 2010, a director of Sinochem International Corporation (a company listed on the SSE, stock code: 600500) from 2000 to 2010. Mr. CHEN also served as the chief accountant of Sinochem Group from December 2000 to April 2010, and the deputy chief accountant and general manager of the finance department of Sinochem Group from February 1999 to December 2000, the vice president of China International United Petroleum and Chemicals Co., Ltd. from May 1997 to February 1999, general manager of the petroleum accounting department and vice director of the finance department at Sinochem Group from March 1994 to May 1997, the financial manager of its U.S. agrichemical subsidiary from July 1991 to March 1994. Prior to this, Mr. CHEN served as deputy chief financial officer of Hino Company in Hong Kong from July 1988 to July 1991 and was an assistant professor at Xiamen University from July 1984 to March 1985. Mr. CHEN is granted as a senior accountant by Ministry of Foreign Trade and Economic Cooperation and a certified public accountant by China Certified Public Accountant Association. He received a doctorate degree in economics from Xiamen University in 1988.

**Mr. YUE Ran**, Age 52, Chinese

Mr. YUE Ran has been the Chief Human Resources Officer of our Company since April 2010 and an Assistant to President since February 2013. Since joining the Company in January 2010 till March 2010, Mr. YUE has been acting as a director of our Inspection Office. Prior to joining the Company, from October 2008 to January 2010, Mr. YUE served as the deputy General Manager of the human resources department at China Unicom Group. From January 2004 to October 2008, Mr. YUE served as the deputy general manager of the human resources department at China Netcom Group. From June 2001 to January 2004, he worked as director of human resources at China Netcom (Holdings) Company Limited. From March 1997 to June 2001, he served as the manager of human resources department at Pulead Technology Industry Co., Ltd.. From May 1992 to March 1997, he was the manager of human resources department at Beijing Coca-Cola Beverage Co. Ltd.. From July 1984 to May 1992, he served as the principal staff officer at the organization department of Beijing Municipal Committee of the Communist Party of China. Mr. YUE obtained a bachelor's degree in philosophy from Beijing Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. GONG Xingfeng**, Age 44, Chinese

Mr. GONG Xingfeng has been the Chief Actuary of our Company since September 2010 and an Assistant to President since February 2013. Since joining the Company in January 1999, Mr. GONG has served as the head of investment business of Asset Management Company from February 2007 to September 2010, the Chief Actuary from September 2003 to January 2007, the general manager of the Customer Service Department from June 2002 to September 2003, the deputy general manager of the Underwriting Approval and Claims Settlement Department from January 2002 to May 2002, and the assistant general manager of the Actuarial Department from January 1999 to September 2000. From September 2000 to December 2001, he worked and was trained at Zurich Insurance in the U.K.. Prior to joining the Company, from January 1996 to December 1998, Mr. GONG worked at the People's Bank of China and the CIRC as principal staff member. Mr. GONG is granted as a senior economist by Beijing Senior Specialized Technique Qualification Evaluation Committee and an actuary by the CIRC. He received a master's degree in economics from Central University of Finance and Economics in 1996.

#### **Mr. YUAN Chaojun**, Age 42, Chinese

Mr. YUAN Chaojun has been an Assistant to President of the Company since July 2011, and our regional general manager of North China and manager of Beijing branch since March 2013. Since joining the Company in November 2002, Mr. YUAN has served as the director of the individual business from May 2010 to July 2011 and the assistant to the general manager, the vice general manager, the general manager and the senior general manager of our Shandong branch from January 2005 to May 2010. He also served as the general manager of the central branch in Weifang from November 2002 to January 2005. Prior to joining the Company, Mr. YUAN was the assistant general manager of the sub-branch in Weifang of China Pacific Insurance (Group) Co., Ltd. from November 2001 to November 2002, the general manager of the business department and the group business department, the deputy director and the director of the business division, the assistant to the manager and the deputy manager of the business department and the group business department of the central branch in Weifang of China Pacific Insurance Company from March 1994 to November 2001. He also worked at the Weifang branch of Bank of Communications from August 1992 to March 1994. Mr. YUAN was granted the mid-level professional insurance qualification by the Ministry of Human Resources in 2000. He obtained his degree of executive master of business administration from Zhongnan University of Economics and Law in 2011.

#### **Mr. SUN Yuchun**, Age 47, Chinese

Mr. SUN Yuchun has been an Assistant to President of our Company since July 2011 and chairman of the board of Electronic Commerce since January 2014. Since joining the Company in July 1996, Mr. SUN has been the chief strategic officer from April 2010 to July 2011, the director of the Strategic Management Center from March 2007 to March 2010, and the general manager of Shanghai branch from July 2004 to February 2007. He was in charge of the Enterprise Planning Department from December 2000 to June 2004, and served as the assistant general manager of the Finance Planning Department from September 2000 to November 2000. He was the secretary general of New China International Insurance Research Institute from May 1999 to August 2000 and the head of the management office and the head of the research office under the Research and Development Center from December 1997 to April 1999. He was appointed as the secretary and the vice director of the general office from July 1996 to November 1997. Prior to joining the Company, Mr. SUN was the head of the secretary division of Management Institute of the People's Bank of China from September 1988 to July 1996. Mr. SUN is a senior economist. He received his master's degree in finance from Zhongnan University of Economics and Law in 2007.

**Mr. ZHU Ying**, Age 44, Chinese

Mr. ZHU Ying has been the Board Secretary of the Company since July 2011, an Assistant to President and the Chief Risk Officer (Compliance Officer) since February 2013, the Audit Principal since October 2013. Prior to joining the Company, Mr. ZHU was the assistant to the director general and the deputy director general of the Tianjin Bureau of the CIRC from September 2008 to July 2011. He was temporarily transferred to second secretarial bureau of General Office of the State Council from October 2005 to October 2008. He successively served as a deputy-director-level secretary and a director-level secretary at the General Office of the CIRC from June 2002 to September 2005, the principal staff member of the Life Insurance Supervision Department of the CIRC from November 1998 to June 2002, and a staff member of the insurance department of People's Bank of China from August 1996 to November 1998. Mr. ZHU is a Chinese certified public accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. ZHU received his bachelor's degree in international finance from Banking & Finance Institute of China in 1993 and received his master's degree in economics from the graduate program of the Banking and Finance Research Institute of People's Bank of China in 1996.

**Mr. TANG Gengrong**, Age 54, Chinese

Mr. TANG Gengrong has been an Assistant to President of the Company since February 2013. Since joining the Company in December 2001, Mr. TANG had served as the director of operation management centre, director of risk management centre, director of bank assurance channel, regional director and regional general manager of East China, etc., from March 2007 to November 2014. He also served as the manager of our Shanghai branch from May 2010 to November 2014. He was the general manager of Hunan Branch from March 2002 to February 2007 and the officer of preliminary team for Hunan branch from December 2001 to February 2002. Prior to joining the Company, he was the vice general manager of China Pacific Life Insurance Co., Ltd Hunan Branch from June 2001 to November 2001 and the headmaster of Hunan Senior College of Finance and Economics from April 1999 to May 2001. He was the deputy director of Hunan Finance Department office, an officer of tax administration office and laws and regulations office and a director of toll bureau and an officer of division of planning from July 1992 to March 1999. He was the head of Dongan County People's Government, Hunan from July 1989 to June 1992 and the deputy officer and then officer of Dongan County Finance Department, Hunan from May 1985 to June 1989. He was a teacher in finance department at Hunan College of Finance and Economics from July 1983 to April 1985. Mr. TANG is a senior accountant and a Chinese certified public accountant. He received a bachelor degree in finance from Hunan College of Finance and Economics in 1983 and a doctorate degree in management science and engineering from Wuhan University of Technology in 2008.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### **Mr. LI Yuan**, Age 52, Chinese

Mr. LI Yuan has been an Assistant to President of the Company since February 2013. He has been our regional general manager of South China and the manager of our Guangdong branch since March 2013. Since joining the Company in October 2001, Mr. LI has been the director of sales management centre and the senior general manager of Guangdong branch, an officer of individual business channel, an officer of bancassurance channel and the general manager of wealth management department, the regional director and the manager of our Beijing branch from January 2010 to February 2013. He was the assistant general manager, deputy general manager, general manager and senior general manager of Guangdong branch from October 2001 to December 2009. Prior to joining the Company, Mr. LI was a manager of agency department and sales region of China Ping An Insurance Co., Ltd. Guangzhou branch from December 1998 to September 2001. He was the department manager of Peoples Insurance Company of China Hunan Changde branch from April 1993 to November 1998 and was the officer of business division of Peoples Insurance Company of China Hunan Shimen branch from May 1983 to March 1993. He was the director of Hunan Shimen Business Bureau office from November 1981 to April 1983. Mr. LI is a senior economist. He graduated from China Insurance Management Cadre College majoring in insurance enterprise management in 1989 and obtained a master degree of EMBA from Sun Yat-sen University in 2010.

#### **Mr. CHEN Zhengyang**, Age 43, Chinese

Mr. CHEN Zhengyang has been an Assistant to President of the Company since February 2013. He was the operation director of the Company from May 2010 to February 2013. Prior to joining the Company, Mr. CHEN was the deputy general manager and compliance principal of Taiping Pension Co., Ltd. from February 2005 to April 2010 and was the deputy general manager and then general manager of group insurance operation department, enterprise pension department and group insurance business department of Taiping Life Insurance Co., Ltd from July 2001 to January 2005. He was a manager and then the assistant general manager of group insurance product planning department of China Ping An Insurance Co., Ltd. Life Insurance head office from March 2000 to June 2001. He was an assistant manager of business management department of China Ping An Insurance Co., Ltd. Shanghai branch Minhang sub branch from March 1996 to June 2000. He has FLMI (Fellow of Life Management Institute) certificate by granted Life Office Management Association and ASA (Associate of Society Actuary) certificate granted by Society of Actuaries of North America. He received a bachelor degree of material science and industrial management engineering from Shanghai Jiao Tong University in 1993 and a master degree of management science from Shanghai Jiao Tong University in 1996.

#### **Mr. YU Zhigang**, Age 50, Chinese

Mr. YU Zhigang has been an Assistant to President of the Company since February 2013 and our regional general manager of East China since November 2014. Since joining the Company in April 1997, Mr. YU had been the regional director and senior general manager of Beijing branch, director of bancassurance channel, regional general manager of Central China from January 2011 to November 2014. He was senior general manager of Beijing branch from May 2010 to December 2010 and general manager and then senior general manager of Shanghai branch from March 2007 to April 2010. He was an assistant general manager of enterprise planning and research department, the deputy director of general manager's office, the general manager of office and the general manager of enterprise planning department and etc., from April 1997 to February 2007. Prior to joining the Company, Mr. YU was staff and the deputy officer of secretary division of general office of China International Trust and Investment Corporation from August 1986 to March 1997. Mr. YU is an intermediate editor. He received a bachelor degree of Chinese linguistic literature from Peking University in 1986, completed monetary banking course from Graduate School of Chinese Academy of Social Sciences in 1998 and received a master degree of EMBA from Guanghua School of Management of Peking University in 2010.

### III. Positions of current directors, supervisors and members of senior management in corporate shareholders and other entities

#### (I) Positions in corporate shareholders

Name	Name of shareholders	Position held	Term
ZHAO Haiying	Central Huijin Investment Ltd.	Deputy General Manager	Since October 2009
MENG Xingguo	Central Huijin Investment Ltd.	Employee	Since December 2006
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
WU Kunzong	Baosteel Group Corporation	General Manager of the Operation and Finance Department Director of Asset Management	Since August 2013
LIU Lefei	CITIC Securities Company Limited	Director	Since December 2013
DACEY John Robert	Swiss Re Group	Vice Chairman of the Board Chief Strategy Officer Member of Executive Committee	Since March 2014 Since October 2012 Since November 2012
WANG Chengran	Baosteel Group Corporation	Chairman of Admin Re <sup>®</sup> Secretary of the Financial System Party Committee	Since November 2012 Since June 2012
LV Hongbo	Tibet Shannan Xinshang Investment Management Limited	Supervisor	Since December 2012

#### (II) Major positions in other entities

Name	Name of Other Entities	Position Held	Term
KANG Dian	New China Asset Management Co., Ltd.	Chairman	Since January 2010
WAN Feng	New China Asset Management Co., Ltd.	Non-Executive Director	Since February 2015
ZHAO Haiying	China Investment Corporation	Member of Executive Committee	Since February 2012
	China International Capital Corporation Limited	Director	Since August 2011
MENG Xingguo	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	APT Satellite Holdings Limited	Independent Non-Executive Director	Since July 2012
WU Kunzong	Baoshan Iron & Steel Co., Ltd.	Supervisor	Since April 2012
LIU Lefei	CITIC Private Equity Funds Management Co., Ltd.	Chairman of the Board Chief Executive Officer	Since September 2013
	China Life Asset Management Company Limited	Independent Non-Executive Director	Since January 2013
CAMPBELL Robert David	China Life Insurance (Overseas) Company Limited	Independent Non-Executive Director	Since January 2010
FONG Chung Mark	Sinopec Kantons Holdings Limited	Independent Non-Executive Director	Since September 2004
	Worldsec Limited	Independent Non-Executive Director	Since February 1997
	Macau Legend Development Limited	Independent Non-Executive Director	Since June 2012

## Section 8

### Directors, Supervisors, Senior Management and Employees

Name	Name of Other Entities	Position Held	Term
WANG Chengran	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	China CSCC Holdings Limited	Non-Executive Director	Since May 2009
	China Pacific Insurance (Group) Co., Ltd.	Non-Executive Director	Since June 2010
	Huatai Insurance Group Co., Ltd.	Non-Executive Director	Since April 2008
	Shanghai Baosight Software Co., Ltd.	Non-Executive Director	Since April 2013
AI Bo	China Investment Corporation	Senior Manager of the Department of Institutional Integrity	Since June 2010
CHEN Xiaojun	New China Asset Management Co., Ltd.	Supervisor	Since January 2010
LV Hongbo	CITIC Private Equity Funds Management Co., Ltd.	Investment Vice President	Since January 2008
CHEN Guogang	New China Asset Management Co., Ltd.	Non-Executive Director	Since April 2011
	New China Life Insurance (Xi'an) Clinic Co., Ltd.	Supervisor	Since October 2012
	New China Life Insurance (Wuhan) Clinic Co., Ltd.	Supervisor	Since October 2012
Sun Yuchun	New China Electronic Commerce Co., Ltd.	Chairman of the Board	Since January 2014
LIU Yiyi	Xinhua Village Seniors Business Management (Beijing) Co., Ltd.	Supervisor	Since May 2012
	New China Village Health Technology (Beijing) Co., Ltd.	Supervisor	Since June 2012

#### IV. Remuneration of directors, supervisors and members of senior management

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

During the reporting period, the aggregate amount of after tax remuneration that all directors, supervisors and members of senior management received from the Company is RMB36.3460 million and the total amount of individual income tax paid is RMB21.0514 million. For detailed remuneration of each, please refer to "I. Directors, supervisors and members of senior management" in this section of this annual report.

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

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

### (I) Changes in directors

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

Name	Position Held	Change
WANG Chengran	Non-Executive Director	Mr.WANG Chengran tendered his resignation to the Board on 15 January 2014, and resigned as a non-executive director and Board committee member of the Company. The resignation took effect on 15 January 2014 when his resignation report were delivered to the Board.
CHEN Johnny	Non-Executive Director	Mr. CHEN Johnny tendered his resignation to the Board on 15 January 2014, and resigned as a non-executive director and Board committee member of the Company. The resignation took effect on 15 January 2014 when his resignation report were delivered to the Board.
WU Kunzong	Non-Executive Director	Mr. WU Kunzong was elected to serve as a non-executive director of the Fifth Session of the Board at the Annual General Meeting of 2013 on 20 May 2014. His qualification as director was approved by the CIRC in July 2014.
LIU Lefei	Non-Executive Director	Mr. LIU Lefei was elected to serve as a non-executive director of the Fifth Session of the Board at the Annual General Meeting of 2013 on 20 May 2014. His qualification as director was approved by the CIRC in July 2014.
DACEY John Robert	Non-Executive Director	Mr. DACEY John Robert was elected to serve as a non-executive director of the Fifth Session of the Board at the Annual General Meeting of 2013 on 20 May 2014. His qualification as director was approved by the CIRC in August 2014.
WAN Feng	Executive Director	Mr. Wan Feng was elected to serve as an executive director of the Fifth Session of the Board at the First Extraordinary General Meeting of 2014 on 28 October 2014. His qualification as director was approved by the CIRC in November 2014.

Mr. ZHAO John Huan tendered his resignation to the Board as a non-executive director and Board committee member of the Company on 23 March 2015. Please refer to the *Announcement on Resignation of Director and Board Committee Member* published on 23 March 2015 by the Company for details.

## Section 8

### Directors, Supervisors, Senior Management and Employees

#### (II) Changes in supervisors

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

Name	Position Held	Change
CHEN Jun	Supervisor and Chairman of the Board of Supervisors	Mr. CHEN Jun tendered his resignation to the Fifth Session of the Board of Supervisors on 28 April 2014, and resigned as a Supervisors and Chairman of the Board of Supervisors of the Company. The resignation took effect on 28 April 2014 when his resignation report were delivered to the Board of Supervisors.
WANG Chengran	Supervisor and Chairman of the Board of Supervisors	Mr. WANG Chengran was elected to serve as a Shareholder Representative Supervisor of the Fifth Session of the Board of Supervisors at the Annual General Meeting of 2013 on 20 May 2014. His qualification as supervisor was approved by the CIRC in July 2014. He was elected as Chairman of the Fifth Session of the Board of Supervisors at the eighth meeting of the Fifth Session of the Board of Supervisors on 25 July 2014.

#### (III) Changes in members of senior management

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

Name	Former Position	Present Position	Changes
WAN Feng	–	President (Chief Operation Officer)	Mr. WAN Feng was appointed as the President (Chief Operation Officer) of the Company by the Board in August 2014, and his qualification was approved by the CIRC in October 2014.
CHEUNG Wing Kuen Samuel	Assistant to President Chief Information Officer	–	Mr. CHEUNG Wing Kuen Samuel resigned in November 2014.

## VI. Shareholding of directors, supervisors and members of senior management

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

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

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

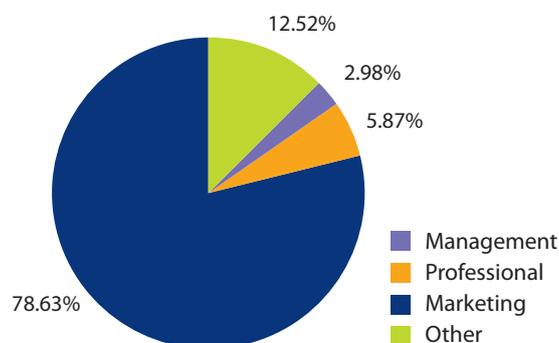
At of 31 December 2014, according to the information available to the Company and the information our directors are aware of, Mr. KANG Dian, Chairman of the Board, was deemed to be interested in 62,600 H Shares of the Company held by Excel Class Investments Limited, of which Mr. KANG Dian directly held 100% equity interest (equity interests in his controlled corporation). Except for the aforesaid, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

## VII. The Company's employees

As of 31 December 2014, there are a total of 56,487 employees who entered into employment contracts with the Company and its major subsidiaries. Their expertise and education background are set out below:

### (I) Expertise

Expertise	Number
Management	1,682
Professional	3,320
Marketing	44,415
Of which: Contractual Field Sales personnel	33,331
Other	7,070
Total	56,487

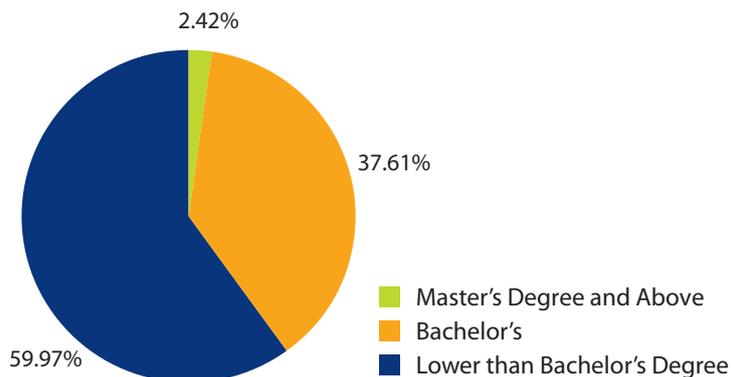


## Section 8

### Directors, Supervisors, Senior Management and Employees

#### (II) Education background

Education background	Number
Master's Degree Above	1,369
Bachelor's Degree	21,245
Lower than Bachelor's Degree	33,873
Total	56,487



In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying for the position, paying for the ability and paying for the performance, the Company encourages office employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the state, the Company provides employees with social security and housing fund.

The Company has established a sound manager and employee training system. The Company conducts trainings to each level of employees, focusing on the Company's strategy, business development and the requirement for the employees' capacities, based on the cooperation between the headquarter and its branches, to deepen the implementation of the all-member training system. The system was a gradually improving basic management platform combing multiple training methods such as face to face training, online learning, electronic course, reading and so on, to steadily promote employees' knowledge, ability and comprehensive quality and management capabilities of managers.

## Section 9

# Corporate Governance Report

### I. Overview of corporate governance

Pursuant to the Company Law, Insurance Law, Securities Law and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the Board, Board of Supervisors and the senior management, and formed an operation mechanism under which the authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

#### (I) General meeting

##### *Shareholders' rights*

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

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

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

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

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

## General meetings of shareholders

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

Session	Date	Proposal	Publication media for resolutions	Publication date
The Annual General Meeting of 2013	20 May 2014	1. To consider and approve the proposal on the Report of the Board for the Year 2013	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>	20 May 2014
		2. To consider and approve the proposal on the Report of the Board of Supervisors for the Year 2013	China Securities Journal, Shanghai Securities News	
		3. To consider and approve the proposal on the annual report and its summary for the year 2013		
		4. To consider and approve the proposal on the final accounting for the year 2013		
		5. To consider and approve the proposal on the profit distribution plan for the year 2013		
		6. To consider and approve the proposal on the appointment of accounting firms for the year 2014		
		7. To consider and approve the proposal on the Report of Performance of the Directors for the Year 2013		
		8. To consider and approve the proposal on the Report of Performance of the Independent Non-executive Directors for the Year 2013		
		9. To consider and approve the Proposal on the Contemplated Continuing Related Party Transactions in Respect of Entrusted Funds Utilisation of the Company		
		10. To consider and approve the proposal on the 2014-2016 Development Plan of the Company		
		11. To consider and approve the Proposal on the plan of issuing debt financing instruments for the year 2014		
		12. To consider and approve the proposal on the general mandate to the Board to issue new shares		
		13. To consider and approve the Proposal on the plan of issuing subordinated term debts for the year 2014		
		14. To consider and approve, on an individual director basis, the proposal on the election of directors for the fifth session of the Board.		
		(1) To elect Mr. WU Kunzong as a non-executive director of the fifth session of the Board;		
		(2) To elect Mr. DACEY John Robert as a non-executive director of the fifth session of the Board;		
(3) To elect Mr. LIU Lefei as a non-executive director of the fifth session of the Board.				
15. To consider and approve the proposal on the election of Mr. WANG Chengran as a shareholder representative supervisor for the fifth session of the board of supervisors				
16. To hear the Report on the Status of Related Party Transactions and the Implementation of Management System for Related Party Transactions for the year 2013.				

Session	Date	Proposal	Publication media for resolutions	Publication date
The First Extraordinary General Meeting of 2014	28 October 2014	1. To consider and approve the Proposal on the Election of Director for the Fifth Session of the Board	SSE website: www.sse.com.cn HKSE website: www.hkexnews.hk China Securities Journal, Shanghai Securities News	28 October 2014

The procedures of giving meeting notices, calling for the meetings, convening the meetings and voting at the meetings were in compliance with the Company Law, the Articles of Association and relevant regulations. The general meetings established and improved the effective channels of communicating with shareholders, actively gathered comments and suggestions from shareholders, ensured that the shareholders have the rights to know, participate in and vote on major matters of the Company, and created a sound environment for shareholders to fully participate in decision-making and to equally exercise rights.

## (II) Directors and the Board

The Board has 14 directors consisting of two executive directors, six non-executive directors and six independent non-executive directors (INEDs) (see Section 8 “Directors, Supervisors, Senior Management and Employees” of this annual report for brief introductions of directors). Directors serve a term of three years and are eligible for re-election, but the consecutive terms of INEDs shall not exceed six years. Number of directors and composition of the Board are in compliance with the regulatory requirements and the Articles of Association.

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

### **Board Diversity**

Pursuant to the new code provision A.5.6 of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Resolution regarding the Formulation of the Board Diversity Policy was passed at the 10th meeting of the fifth session of the Board held on 27 August 2013 by the Board of the Company.

The Company holds the belief that having a diversified Board will be immensely beneficial for the enhancing the Company’s performance. To achieve the objective of sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of the Company’s strategic objectives, sustainable development and increasing performance. In determining the composition of the Board, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Company will also take into consideration its own business model and specific needs to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of Board operation and lead the Company to better serve the customers and shareholders.

For details of the composition of the Board, please refer to “Directors, Supervisors, Senior Management and Employees – I. Directors, supervisors and members of senior management” under Section 8 of this report.

### ***Duties of the Board and senior management***

In accordance with the Articles of Association, the Board shall perform the following major duties: to convene general meetings and report its work to the general meetings; to implement the resolutions passed at the general meetings; to determine the Company's business and investment plans, to control and supervise the Company's financial position and use of funds; to formulate the Company's development strategies; to prepare the annual financial budget plan and final account plan of the Company; to prepare the profit distribution plan and loss recovery plan of the Company; to formulate the plan for increase or reduction of the Company's registered capital, plan for issue of bonds or other securities and plan of listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to decide on the external investment, disposal and purchase of assets, external guarantee and donations, etc. within the scope of authority granted by the general meeting; to determine the setup of internal administration authorities of the Company; to formulate the basic administration system (including the business policies) of the Company; to assess and optimize the governance of the Company and review the corporate governance report on a regular basis; to appoint or remove the CEO, the COO (President), the Board secretary and, in accordance with the nominations of the CEO, to appoint or remove vice presidents, financial principal, chief actuary and other members of senior management, and to decide on and implement the plans concerning their annual performance evaluation, annual remuneration, awards and punishments, which shall be the basis of their incentives, reappointment and replacement; to set up Board committees, including but not limited to Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee according to the Company's needs or the regulator's requirements; to formulate amendments to the Articles of Association; to make proposal of any appointment or replacement of the accounting firm which audits the Company's accounts at the general meeting, and review reports of external auditors on a regular basis and from time to time; to consider and approve related party transactions which, in accordance with laws, regulations and regulatory documents, shall be approved by the Board; to hear the work report of the Executive Committee and CEO and examine their work; to manage matters such as information disclosure, comprehensive risk management, internal control and compliance; and to exercise other functions and powers as stipulated by laws, regulations, regulatory documents or the Articles of Association or conferred by the general meetings.

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of the CEO, the COO (President), the Vice President, the Assistant to President, the Financial Principal and the chief actuary of the Company, as well as such other officers as approved by the Board, and its major duties include: to deliver the instructions of the meetings of the Board, and implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real property investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, and report to the Board; to study on the material decisions of the Company on its operations and provide advice to the Board; to study on the plans of establishment of subsidiaries as well as material management system and proposed selection for assignment to subsidiaries, and hear the work report by assigned personnel; to monitor the Company's regular material operations and activities, and hear the work report by the senior management in connection with regular material operations of the Company; to hear opinions of the regulators on the regulation of the Company, and deliberate the rectification measures; to review and assess the viability of the corporate governance structure of the Company to ensure that the financial reports, material events reporting system and internal control comply with the standards of corporate governance; and such other functions and authorities of the Executive Committee as authorized by the Board through authorization plans or special resolutions.

### **Board meetings**

During the reporting period, the Company held 8 Board meetings in total. The details are as follows:

<b>Session</b>	<b>Date</b>	<b>Publication media for resolutions</b>	<b>Publication date</b>
16th meeting of the fifth session of the Board	22 January 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	22 January 2014
17th meeting of the fifth session of the Board	26 March 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 March 2014
18th meeting of the fifth session of the Board	31 March 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	31 March 2014
19th meeting of the fifth session of the Board	29 April 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	29 April 2014
20th meeting of the fifth session of the Board (by circulation of written resolution)	14 May 2014		
21st meeting of the fifth session of the Board	26 August 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 August 2014
22nd meeting of the fifth session of the Board	24 October 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	24 October 2014
23rd meeting of the fifth session of the Board (by circulation of written resolution)	22 December 2014		

### Attendance of meetings of directors

All directors fulfilled their duties diligently, actively attended general meetings and Board meetings, and earnestly heard the opinions from shareholders. The directors emphasized the communication and interaction with shareholders, strived to make decisions based on thorough understanding of the situation and safeguard the interests of the Company and all shareholders. During the reporting period, attendance of each director in general meetings and Board meetings is given as follows:

#### Attendance of general meetings

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
<b>Executive Directors</b>				
KANG Dian	2	2	100%	
WAN Feng	0	0	–	
<b>Non-Executive Directors</b>				
ZHAO Haiying	2	1	50%	ZHAO Haiying could not attend the 2013 Annual General Meeting for business reasons
MENG Xingguo	2	2	100%	
LIU Xiangdong	2	1	50%	LIU Xiangdong could not attend the First Extraordinary General Meeting of 2014 for business reasons
WU Kunzong	1	1	100%	
ZHAO John Huan	2	1	50%	ZHAO John Huan could not attend the First Extraordinary General Meeting of 2014 for business reasons
LIU Lefei	1	1	100%	
DACEY John Robert	1	0	0%	DACEY John Robert could not attend the First Extraordinary General Meeting of 2014 for business reasons
<b>INEDs</b>				
CAMPBELL Robert David	2	0	0%	CAMPBELL Robert David could not attend the 2013 Annual General Meeting and the First Extraordinary General Meeting of 2014 for business reasons
CHEN Xianping	2	2	100%	
WANG Yuzhong	2	1	50%	WANG Yuzhong could not attend the 2013 Annual General Meeting for business reasons
ZHANG Hongxin	2	2	100%	
ZHAO Hua	2	1	50%	ZHAO Hua could not attend the 2013 Annual General Meeting for business reasons
FONG Chung Mark	2	2	100%	

**Attendance of Board meetings**

Name of director	Number of scheduled attendance	Number of attendance in person	Number of Attendance by proxy	Rate of attendance in person	Remarks
<b>Executive Directors</b>					
KANG Dian	8	7	1	88%	KANG Dian could not attend the 18th meeting of the fifth session of the Board in person for business reasons but respectively appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
WAN Feng	1	1	0	100%	
<b>Non-Executive Directors</b>					
ZHAO Haiying	8	4	4	50%	ZHAO Haiying could not attend the 17th, 19th, 22nd meetings of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof; ZHAO Haiying could not attend the 21st meeting of the fifth session of the Board in person for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof
MENG Xingguo	8	8	0	100%	
LIU Xiangdong	8	8	0	100%	
WU Kunzong	3	2	1	67%	WU Kunzong could not attend the 22nd meeting of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
ZHAO John Huan	8	5	3	63%	ZHAO John Huan could not attend the second and 17th, 22nd meeting of the fifth session of the Board in person for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof; ZHAO John Huan could not attend the 18th meeting of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
LIU Lefei	3	3	0	100%	
DACEY John Robert	2	2	0	100%	

Name of director	Number of scheduled attendance	Number of attendance in person	Number of Attendance by proxy	Rate of attendance in person	Remarks
<b>INEDs</b>					
CAMPBELL Robert David	8	8	0	100%	
CHEN Xianping	8	8	0	100%	
WANG Yuzhong	8	7	1	88%	WANG Yuzhong could not attend the 22nd meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CAMPBELL Robert David to attend and exercise the voting right on behalf thereof
ZHANG Hongxin	8	8	0	100%	
ZHAO Hua	8	7	1	88%	ZHAO Hua could not attend the 18th meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CHEN Xianping to attend and exercise the voting right on behalf thereof
FONG Chung Mark	8	7	1	88%	FONG Chung Mark could not attend the 18th meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CHEN Xianping to attend and exercise the voting right on behalf thereof

#### ***Training for directors***

During the reporting period, each director has received the report and information on the latest regulatory rules and updates, industry information as well as the operation and administration of the Company prepared by the Company on a regular basis to enable them to continuously develop and update their knowledge and skills as well as to perform their duties with thorough understanding of information.

In addition, the Company has arranged the directors to participate in relevant training courses at the Company's expenses. During the reporting period, director WANG Yuzhong participated in the 2014 specific training on regulatory policy interpretation of Beijing area listed company. All directors had been arranged to participate in compliance training.

**(III) Board committees under the Board**

The Board has four committees which are Strategy and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee. The committees are accountable to the Board and perform their duties by way of giving professional opinions to the Board.

***Strategy and Investment Committee***

As of the end of the reporting period, the Strategy and Investment Committee consists of two executive directors (KANG Dian, WAN Feng), six non-executive directors (ZHAO Haiying, MENG Xingguo, WU Kunzong, ZHAO John Huan, LIU Lefei, DACEY John Robert) and one INED (CAMPBELL Robert David), and KANG Dian serves as the chairman.

*1. Duties of the Strategy and Investment Committee*

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

2. *Meetings and attendance*

During the reporting period, the Strategy and Investment Committee held two meetings in total. Attendance of each member is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
KANG Dian	2	2	0
WAN Feng	0	0	0
ZHAO Haiying	2	2	0
MENG Xingguo	2	2	0
WU Kunzong	0	0	0
ZHAO John Huan	2	1	1
LIU Lefei	0	0	0
DACEY John Robert	0	0	0
CAMPBELL Robert David	2	2	0

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

In 2014, the Strategy and Investment Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Strategy and Investment Committee:

- (1) To consider the Company's annual and future work plans. During the reporting period, the Strategy and Investment Committee has reviewed the 2014 work plan of the Company, and proposals on the 2014-2016 Development Plan of the Company and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To consider matters such as the use of Company's funds, asset management and investment policies. During the reporting period, the Strategy and Investment Committee has reviewed proposals on the 2014 entrusted investment management agreement, the investment guidelines for the use of insurance funds, 2014 alternative investment plan, 2014 entrusted overseas investment management agreement and the investment guidelines for the overseas use of insurance funds, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To formulate the incorporation and alteration plans on subsidiaries. The Strategy and Investment Committee has reviewed the proposal on the incorporation of pension insurance company, and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To firmly perform other duties, and play its professional functions in respect of areas such as bond issuance plan as well as the purchase and disposal of real estates, etc.

### **Audit Committee**

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

#### *1. Duties of the Audit Committee*

The Audit Committee performs the following major duties: to regularly review internal control evaluation reports, solvency reports, advise on and make recommendations of improving internal control and solvency adequacy to the Board; to review the Company's basic internal auditing system and provide suggestions to the Board, supervise the Company's internal control, review the Company's core businesses and management regulations and the implementation thereof, examine and evaluate the compliance and effectiveness of the Company's major operating activities and submit suggestions to the Board on improvements; to review the Company's financial information and disclosure thereof, review the Company's major financial policies and implementation thereof and supervise the financial position; to monitor the truthfulness of financial reports and the effectiveness of financial report procedures which the management implements to consider the Company's annual final account plan and annual statutory auditing report and submit suggestions to the Board; to formulate the procedures and standards of appointing accounting firms that carry out statutory audit of the Company's annual reports and advise the Board to appoint or replace the accounting firms; to adopt appropriate measures to supervise the work of accounting firms, hear and review various reports of accounting firms and ensure accounting firms' ultimate liabilities for general meeting, the Board and the Audit Committee; to coordinate the communication between internal audit departments and external audit institutions; to formulate the management system of related party transactions and the standards of major related party transactions and submit suggestions to the Board; to confirm the Company's related parties and report to the Board and Board of Supervisors; to review related party transactions and make specific report to the Board on implementation of the management system of related party transactions and the details of related party transactions; to consider the Company's annual budget plan and give suggestions to the Board; and to exercise other functions and powers as provided by the CIRC and authorized by the Board and recommended in the relevant principles and code provisions under the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Hong Kong Listing Rules.

#### *2. Meetings and attendance*

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

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
CAMPBELL Robert David	5	5	0
LIU Xiangdong	5	5	0
WU Kunzong	2	1	1
CHEN Xianping	5	4	1
WANG Yuzhong	5	4	1
ZHANG Hongxin	5	5	0
FONG Chung Mark	5	5	0

3. *Performance of duties of the Audit Committee*

In 2014, the Audit Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Audit Committee:

- (1) To regularly examine financial reports of the Company and perform financial supervision functions. The Audit Committee has reviewed proposals on the annual report of 2013, first quarter report of 2014, interim report of 2014, third quarter report of 2014, final account report of 2013 and the changes in accounting estimates of 2013 of the Company during the reporting period, and communicated with the auditor of the Company in respect of the above proposals, and then issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reporting on 2014 audit work plan from the auditor.
- (2) To examine the internal control and internal audit of the Company. The Audit Committee has reviewed the proposal on the 2013 Internal Control Assessment Report, and issued professional opinions consenting to the submission to the Board for its consideration. Audit Committee also heard the reporting on internal audit of the Company for a number of times.
- (3) To examine the related party transactions of the Company. The Audit Committee has reviewed proposals such as the major related party transaction with Asset Management Company, the contemplated continuing related party transactions in respect of entrusted funds utilisation of the Company, and issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reports on the status of related party transactions and the implementation of management system for related party transactions for the year 2013 and the specific explanation on the occupation of non-operating fund by controlling shareholders and other related parties and other fund transfers with related parties in 2013, and confirmed on the information of related parties.
- (4) The Audit Committee has heard and examined various reporting of work from the auditors of the Company for several times, and issued a conclusion report on the audit work of PricewaterhouseCoopers of 2013 to the Board. In addition, the Audit Committee reviewed the proposal on the change of accounting firm, and proposed to the Board to appoint Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2014 and Ernst & Young as the international auditor of the Company for the year 2014.
- (5) To firmly perform other duties, and fully play its functions in respect of areas such as dividend distribution, reserves, solvency and audit on resignation of senior management.

### ***Nomination and Remuneration Committee***

As of the end of the reporting period, the Nomination and Remuneration Committee consists of four INEDs (ZHAO Hua, CAMPBELL Robert David, CHEN Xianping and WANG Yuzhong) and three non-executive directors (ZHAO Haiying, LIU Lefei and DACEY John Robert) and ZHAO Hua serves as the chairman.

#### *1. Duties of the Nomination and Remuneration Committee*

The Nomination and Remuneration Committee performs the following major duties: to formulate the standards and plans of appointing directors and senior management and submit suggestions to the Board; to regularly evaluate the reasonableness of the structure, number of positions and composition of the Board and the management, and submit suggestions to the Board; to carry out initial examination on the candidates of directors, CEO, COO (President) and other members of senior management and the candidates of directors, supervisors, president and other members of senior management assigned to subsidiaries that the Board considers important and submit suggestions to the Board; to formulate evaluation measures and remuneration plans of directors and senior management, and evaluate the performance and conducts of directors and submit suggestions to the Board; to nominate candidates for members of each Board committees (excluding the Nomination and Remuneration Committee) except for the chairman of such Board committees; to consider the Company's overall (including senior management of the Company) human resources and remuneration strategies and basic systems thereof and submit suggestions to the Board; to consider the evaluation by the CEO of the performance and remuneration of heads of the Company's departments and branches (except for the audit principal), and submit suggestions to the Board; to consider the setting of internal organizational structure of the Company and submit suggestions to the Board; and to exercise other relevant duties delegated by the Board, and other functions and powers as recommended in the relevant principles and code provisions under the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Hong Kong Listing Rules.

#### *2. Meetings and attendance*

During the reporting period, the Nomination and Remuneration Committee held six meetings in total. Attendance of each member is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
ZHAO Hua	6	5	1
ZHAO Haiying	6	5	1
LIU Lefei	3	2	1
DACEY John Robert	2	1	1
CAMPBELL Robert David	6	4	2
CHEN Xianping	6	6	0
WANG Yuzhong	6	6	0

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

In 2014, the Nomination and Remuneration Committee dutifully performed relevant duties in accordance with the Articles of Association and the Work Rules for the Nomination and Remuneration Committee:

- (1) To carry out examination of the candidates of the senior management. During the reporting period, the Nomination and Remuneration Committee has reviewed proposals on the director candidates of the fifth session of the Board, appointment of President (Chief Operation Officer) of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To organize evaluation of performance of senior management. During the reporting period, the Nomination and Remuneration Committee has heard or reviewed the work report of senior management for 2013, and reviewed proposals on the results of performance evaluation of senior management for 2013 the system of performance evaluation of senior management as well as the evaluation plan of senior management for 2014, and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To examine the candidates of directors, supervisors and members of senior management to be assigned to the subsidiaries of the Company. During the reporting period, the Nomination and Remuneration Committee has heard the reportings on the senior managements to be appointed of Electronic Commerce, the reportings on the personnel appointment and removal of Xinhua Seniors, the reportings on the chairman of the directors to be appointed of Health Technology, the reportings on the candidates of directors of Asset Management Company, etc.
- (4) To firmly perform other duties, and conduct studies and discussion on matters such as the strategy and basic system of the overall human resources and remuneration of the Company.

***Risk Management Committee***

As of the end of the reporting period, the Risk Management Committee consists of two non-executive directors (MENG Xingguo and DACEY John Robert) and two INEDs (CHEN Xianping and ZHANG Hongxin), and MENG Xingguo serves as the chairman.

1. *Duties of the Risk Management Committee*

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

2. *Meetings and attendance*

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

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
MENG Xingguo	3	3	0
DACEY John Robert	0	0	0
CHEN Xianping	3	3	0
ZHANG Hongxin	3	3	0

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

In 2014, Risk Management Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Risk Management Committee:

- (1) To make regular evaluation on the risk and compliance condition of the Company. During the reporting period, the Risk Management Committee has reviewed proposals on 2013 Comprehensive Risk Management Report and 2013 Compliance Report of the Company, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To further understand risk status of the Company, supervise the Company to continually strengthen risk control work. During the reporting period, the Risk Management Committee has heard the reporting on the risk control and compliance operation and risk control performance of the Company.

#### (IV) Board of Supervisors

The Board of Supervisors consists of seven supervisors, including four shareholder representative supervisors and three employee representative supervisors (See Section 8 “Directors, Supervisors, Senior Management and Employees” of this annual report for brief introduction of supervisors). The number and composition of the Board of Supervisors are in compliance with the regulatory requirements and the Articles of Association.

##### ***Meetings of the Board of Supervisors***

During the reporting period, the Company held 5 meetings of Board of Supervisors in total. The details are as follows:

<b>Session</b>	<b>Date</b>	<b>Publication media for resolutions</b>	<b>Publication date</b>
Sixth meeting of the fifth session of the Board of Supervisors	26 March 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 March 2014
Seventh meeting of the fifth session of the Board of Supervisors	29 April 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	29 April 2014
Eighth meeting of the fifth session of the Board of Supervisors	25 July 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	25 July 2014
Ninth meeting of the fifth session of the Board of Supervisors	26 August 2014	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	26 August 2014
Tenth meeting of the fifth session of the Board of Supervisors	24 October 2014		

### **Attendance of supervisors for the meetings of the Board of Supervisors**

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

<b>Name of supervisor</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance in person</b>	<b>Number of attendance by proxy</b>	<b>Attendance Rate</b>	<b>Remarks</b>
WANG Chengran	3	2	1	67%	WANG Chengran could not attend the tenth meeting of the fifth session of the Board of Supervisors in person for business reasons but designated supervisor AI Bo to attend and exercise voting right on behalf thereof
AI Bo	5	5	0	100%	
LV Hongbo	5	5	0	100%	
CHEN Xiaojun	5	4	1	80%	CHEN Xiaojun could not attend the seventh meeting of the fifth session of the Board of Supervisors in person for business reasons but designated supervisor LV Hongbo to attend and exercise voting right on behalf thereof
LIU Yiyang	5	5	0	100%	
ZHU Tao	5	4	1	80%	ZHU Tao could not attend the eighth meeting of the fifth session of the Board of Supervisors in person for business reasons but designated supervisor YANG Jing to attend and exercise voting right on behalf thereof
YANG Jing	5	5	0	100%	

### **Training for supervisors**

During the reporting period, each supervisor has received the report and information on the latest regulatory rules and updates, industry information as well as the operation and administration of the Company prepared by the Company on a regular basis to enable them to continuously develop and update their knowledge and skills as well as to perform their duties with thorough understanding of information.

In addition, the Company has arranged the supervisors to participate in relevant training courses at the Company's expenses. During the reporting period, Supervisor LV Hongbo participated in training on A-Share market reform and preferred stock pilot management approach held by listing sponsors. Supervisor CHEN Xiaojun participated in the 2014 specific training on regulatory policy interpretation of Beijing area listed company. Supervisor LIU Yiyang and YANG Jing participated in specific training on corporate governance held by the Beijing association of listed companies. All supervisors had been arranged to participate in compliance training.

### ***Opinions of the Board of Supervisors on matters under supervision***

During the reporting period, the Board of Supervisors supervised the operating activities, financial position, internal control, related party transactions and cash dividends as well as the performance of duties of the directors and senior management of the Company through attending general meetings and Board meetings, hearing special reports, conducting on-site investigations and visiting branches, etc. The Board of Supervisors had no objection on matters under supervision during the reporting period.

### **(V) Chairman and CEO**

The 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 role of CEO. Mr. KANG Dian, Chairman of the Board, was appointed as CEO. The Board of the Company is of the view that the roles of Chairman and Chief Executive Officer being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company.

Meanwhile, the Company has established various roles and committees such as the Chief Operation Officer (President), executive committee and six functional committees, the duties of which have been clearly defined in the Articles of Association. Major events of the Company shall be subject to complete deliberation and decision-making procedures. All the above shall guarantee that Chairman and CEO performs his duties efficiently and diligently.

Except for the above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

### **(VI) Company secretary**

The Company has appointed, externally, Ms. MOK Ming Wai (a fellow member of Hong Kong Institute of Chartered Secretaries) as the joint company secretary of the Company. The main contact person of Ms. MOK in the Company is Mr. ZHU Ying, the Board secretary and joint company secretary of the Company. The contact information of Mr. ZHU Ying is set out in Section 2 "Corporate Information" of this annual report.

During the reporting period, Mr. ZHU Ying and Ms. MOK Ming Wai attended relevant professional training for no less than 15 hours.

### **(VII) Investigations conducted by directors and supervisors**

During the reporting period, directors and supervisors of the Company conducted on-site investigations in 6 branches located in Jiangsu, Guangxi, etc., and Hainan Boao Senior Project to encourage front-line employees, look into the problems in operations faced by branches. The directors and supervisors also timely reported such comments and suggestions to the management of the Company in the form of investigation reports, which has drawn close attention from the management, and thus had a positive effect on promoting the strategic transformation and improving the risk control and management level of the Company.

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

On 29 April 2014, the 19th Meeting of the fifth session of the Board considered and approved *the Proposal on the Submission of the Internal Audit Management Measures and Amendment to the Audit Management Measures of Directors and Senior Executives*.

On 26 August 2014, the 21st Meeting of the fifth session of the Board considered and approved *the Proposal on Amendment to the Work Rules for the Audit Committee*.

**(IX) Implementation of management system for insiders**

According to the relevant requirements of the CSRC, the Company formulated *the Insider Registration and Filing Measures of New China Life Insurance Company Ltd.*, which specifies the scope and confidentiality control of inside information, as well as the scope, registration and filing of insiders. Such Measures has been strictly observed by the Company. During the reporting period, the Company has conducted insider registration and filing for its directors, supervisors, senior management, employees involved in the preparation of periodic reports and relevant personnel of external units to whom the reports are submitted to before disclosure. During the reporting period, the Company conducted random check on insiders' purchase of the shares of the Company and was not aware of any insider trading of shares of the Company utilizing inside information.

**(X) Information disclosure and investor relations**

During the reporting period, the Company has strictly observed various regulatory rules of the listing places, and effectively implemented the information disclosure system established by its own, and ensured that domestic and foreign investors can obtain true, accurate and complete information. The Company has further improved the information disclosure mechanism, comprehensively straightened up the information disclosure work procedure; integrated with investors relation management to understand and analyse the focus of capital market and investors, continuously enriched the contents of periodic reports with improved disclosure quality; strengthened internal information communication and regularly organised relevant training to reinforce the awareness of information disclosure, thus ensured the timeliness, accuracy and completeness of information disclosure. The Company has completed its information disclosure in compliance.

During the reporting period, the Company further refined the duties and procedures of investor relations and enhanced the communication with domestic and foreign investors to comprehend their various needs in a timely manner. The Company also proactively and efficiently provided sufficient information feedback to investors, which has reinforced the mutual understanding between investors and the Company. During the reporting period, the Company received over 50 on-site and telephone surveys from local and overseas investors/analysts, and attended nearly 20 local and overseas investment strategy conferences. The Company held annual and interim results press conference, news conference, and more than 80 investors/analysts and over 70 medium representatives attended the conferences. Afterwards, the Company also conducted international road show presentations and proceeded one-on-one communication with more than 100 investors from nearly 70 large investment institutions. At the beginning of December 2014, the company hosted the first Open Day since listing and conducted face-to-face communication with more than 100 shareholders/analysts/investors. Besides, the Company communicated with the investors for nearly 1,000 times via its investor relations hotlines and replying to the messages on its investor relations website and the E-interactive platform of the SSE. The presentation materials relating to the results press conferences and Open Day have been published on the Company's website for investors' perusal.

In 2015, the Company aims to gain more support and attention from investors by further enhancing the quality of information disclosure, strengthening the communication with investors and improving investors' understanding and recognition of the Company.

## II. Duty performance of INEDs

The Board includes six INEDs who are professionals in areas such as actuarial sector, financial affairs, finance and management, etc. The number of INEDs exceeds one third of the number of members of the Board, which is in compliance with the regulatory requirements and the Articles of Association.

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

### (I) INEDs' Attendance of meetings

The details of INEDs' attendance in general meetings and Board meetings during the reporting period are set out in "I. Overview of corporate governance" in this section of this annual report.

### (II) Objections from INEDs to relevant issues of the Company

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

### (III) Confirmation of independence of INEDs

The Company has obtained written confirmation of each INED on his/her independence from the Company. The Company confirms that all INEDs were independent from the Company as of 31 December 2014.

## III. The independence of the Company from controlling shareholders in respect of assets, personnel, finance, institutions and businesses

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

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

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

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

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

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

#### **IV. Appraisal and incentives for senior management**

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

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

#### **V. Securities trading of directors or supervisors**

The Company has established *the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* to regulate the securities transactions of directors, supervisors and senior management of the Company, the standards of which are not lower than that required in Model Code for Securities Transactions. After making specific enquiries with all directors and supervisors, the Company confirmed that each of the directors and supervisors has observed the code of conduct set out in the Model Code for Securities Transactions and *the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd.* during the reporting period.

#### **VI. Remuneration of auditors**

See Section 6 "Significant Events – VII. Appointment of accounting firms" of this annual report for remuneration of auditors.

## VII. Responsibilities of directors towards financial statements

Directors confirm that they are obliged to prepare financial statements and to truly and fairly report the Company's position. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix "2014 Audited Financial Report" of this annual report. To the knowledge of the directors, there were no issues or conditions that may significantly affect the Company's sustained operation. After making appropriate enquiries, the directors consider that the Company has enough resources for sustained operation, therefore the financial statements shall be prepared on a sustainable basis.

## VIII. Internal control

The Company has committed to establishing and improving internal control to promote sustainable development. The internal control of the Company is aimed at providing reasonable assurance that the Company's operation and management is in compliance with relevant laws and regulations; the Company's assets are properly safeguarded; financial reports and other related information are true and complete; the operation efficiency and results are improved; and the development strategies are promoted and implemented, to guarantee that the Company operates legally, soundly and effectively.

The Board is responsible for the establishment, improvement and effective implementation of internal control, as well as evaluating its effectiveness. The Audit Committee of the Board is responsible for supervising the effective implementation and self-assessment of internal control, engagement of and coordination with external auditing institutions. The Board of Supervisors is responsible for overseeing the establishment and implementation of internal control by the Board. The Risk Management Committee of the Executive Committee of the Company is responsible for organizing and leading daily operations of the internal control. The Legal & Compliance and Risk Management Department of the Company is responsible for organizing and promoting the internal control of the Company. Each of the functional departments and business units has fully implemented the provisions and requirements of internal control. The Audit Department is responsible for overseeing the internal control.

Based on the internal control requirements such as the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No.11) published jointly by the Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC, and the Basic Standards for Internal Control of Insurance Companies (Bao Jian Fa [2010] No.69) of the CIRC, the Company has observed the basic principles of combining comprehensiveness and specificity, balancing and coordination, authoritative and accommodation, and effective control and reasonable cost, and established and implemented a whole set of top-down internal control system which includes the internal control of financial reports.

The Company has established an internal control system composing of five elements, namely, internal environment, risk assessment, control activities, information and communication, and internal supervision. The functional departments and business units, the internal control management functional department and the audit and supervision department act as the three defense lines of the Company. Through the labor division and coordination among these three defense lines, the Company has satisfied the requirements of internal control and risk management and continued to optimize the internal control system.

In 2014, the Company commenced inspections on various aspects, including individual insurance agent channel financing non-compliance inspection, insurance broker market consolidation, overall risk-based inspection, prevention and tackling of third-party financing risks and “strengthening of internal and external control as well as prevention of illegal operation and unlawful conviction”, so as to adequately identify the operational risk and take appropriate response measures to minimize risks and losses and eliminate potential risks. An off-site risk management system was established to integrate overall risk monitoring and institution compliance monitoring indicator system. The Company monitored the risks on a monthly basis for the purpose of risk warning and reminder. Information system platforms on risk management and off-site audit were established and innovative management practices and methods were adopted to enhance the centralized management and control capability. The Company stepped up its supervision over the effectiveness of internal control and launched several rounds of on-site inspection while attaching great importance to practical results. The Company fully rationalized the defects and loopholes in internal control and encouraged rectification of internal control defects and implementation of rectification acceptance to enhance the rectification effectiveness. Through precautionary measures, process control and post-supervision, the Company guaranteed the materialization of its strategic objectives.

The Company has explored and built a customer whole life cycle service model which focuses on the whole life cycle of customers. The Company comprehensively rationalized and improved the system design and procedural requirements on sales, operations, accounting and finance as well as built a more comprehensive internal control and procedural system. In respect of sales control, the Company focused on risk prevention at the source of sales by improving the systems and procedures on the management of sales personnel, training and quality, strictly regulated promotion and business expansion activities and thereby established a long-term mechanism on handling misleading sales practices. The Company also continued to place importance on enhancing business quality and strengthening the control of sales risks. In respect of operation control, the Company paid effort to establish a lean and purpose-driven operating back office support system to implement continuous and system-driven business development. The Company also facilitated the development of a multi-tier customer service system to enhance customer experience and service quality. Reformative and innovative operational projects were implemented and a customer rationalization program was launched to accelerate the pace of professional operations, which fully supported the strategic transition and reform of the Company. The Company optimized the functions of its business system and regulated authority management to strengthen system management and control. By improving its business procedures and operational policies, the Company strictly monitored the risk of surrenders and endeavored to enhance the quality of newly secured cases to strengthen the integrated risk management. In respect of accounting and financial control, the Company focused on the resource input for functions related to internal control in financial reporting and provided training to its accounting and finance personnel to enhance their knowledge and professional skills in order to ensure that the accounting and financial functions were fully carried out. The Company also optimized the standard workflow of accounting and finance based on the latest regulatory requirements, and strengthened financial management system control to guarantee the truthfulness and completeness of its financial reports and the relevant information. In respect of the control in utilization of capital, the Company established a dynamic asset liability management mechanism to strictly regulate the investment operational procedures and manage the risk of the investment business, regularly assessed the capital market and its businesses in debt to timely adjust its investment strategies and improved its investment portfolio with a view to better matching assets to liabilities and effectively controlling the risk of capital utilization.

The Company has established a clearly defined and effective internal and external information and communication system, which imposes strict requirements on the timeliness of information transfer so as to implement the administrative system of information disclosure and improve the administration of insider information and its registration and filing. The Company has also formulated the system of accountability for significant errors of information disclosure in the annual report, which clearly defines the significant errors in information disclosure and its responsibility. The criteria for identifying a significant error and the accountability mechanism have been established and strictly complied with. During 2014, the Company did not discover any significant error in its annual report.

The Company has established a relatively independent internal audit system with centralized management and regional operations. The audit department is responsible for the arrangement and implementation, in a uniform manner, of internal audit and has been exercising the internal control function. The Company has continuously improved the standardized guidelines for auditing to enhance the auditing standard and promote the standardization of auditing. The Company has also strengthened off-site audits and special audits, diversified its audit methods and enhanced its professionalism. By expanding the scope and coverage of auditing, comprehensive audit supervision throughout the entity has been achieved. The audit results were directly reported to the Board, the Audit Committee and the senior management.

The Company has established and improved a series of administrative measures for accountability, including accountability for non-compliances, accountability for liabilities of cases and accountability for misleading sales practices, specifying the scope, ways, standards and procedures of accountability as well as the information transfer mechanism. Non-compliance to laws and regulations and the administrative provisions of the Company will be handled by relevant departments of the Company according to the applicable measures for accountability, and impose stricter punishment to prevent any other cases and non-compliances.

Based on the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the Circular on Printing and Distributing the Complementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》)(Cai Kuai [2010] No. 11) and the Hong Kong Listing Rules, the Board has conducted a self-assessment on the internal control efforts as of 31 December 2014, the scope of which covers the sales management, financial management, operational management, compliance management and risk management functions of the headquarters, branches and subsidiaries. By the assessment, the Board is of the view that the establishment and operation of the Company's internal control system are effective and adequate as a whole and the auditors have issued a standard unqualified internal control audit report.



## Section 10

# Risk Management

### I. Risk Management System – Overall Strategies

To integrate risk management resources and enhance management efficiency, in 2014, the Company consolidated the Legal & Compliance Department and the Risk Management Department into the Legal Compliance and Risk Management Department, and implemented vertical management of the risk management department among branches. Meanwhile, the Company also carried out centralized management of the internal audit system. So far, the Company has established a risk management organizational system spanning across all major business functions which the Board is ultimately responsible for, as directed by the Executive Committee directly, coordinated by the Legal Compliance and Risk Management Department, closely monitored by the relevant functional departments and entities, and independently audited by the audit department.

The Company has formulated a series of risk management system measures, gradually establishing a risk management system with our own characteristics. While continuing to implement the Comprehensive Risk Management Policies (《全面風險管理政策》), Interim Provisions for the Management of Holding Subsidiaries (《控股子公司管理暫行辦法》), Standardized Guidelines for Internal Auditing Operations (《內部審計作業標準化指引》), Rules of Accountability for Misleading Sales (《銷售誤導責任追究辦法》), Rules of Accountability for Non-compliance Conducts (《違規行為責任追究辦法》) and Rules of Accountability of Cases (《案件責任追究辦法》), in 2014, the Company subsequently formulated the Reputation Risk Management System (Trial) (《聲譽風險管理制度(試行)》), Administrative Measures for Risk Appetite (《風險偏好管理辦法(試行)》) and Basic Measures for Information System Authorization Management (《信息系統權限管理基本辦法》), and revised the Compliance Policy (《合規政策》) and Administrative Measures for Compliance (《合規管理辦法》).

The Company has established a monthly risk assessment monitoring system that covers seven major risks, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk in 2014, and an early warning system of key risk indicators has been established for risk warning. The Company has made considerable progress in the development of risk appetite system and set up management mechanisms for risk appetite formulation, risk communication, monitoring and reporting, assessment and adjustment, as well as formulated relevant management systems.

The Company has further accelerated the development of risk management information system. Phase I of the project officially commenced operation in the fourth quarter of 2014, carrying out functions including auto data collection and processing, risk indicator monitoring and early warning and reporting. In addition, the Company has launched the development of Phase II of the project of risk management information system with focus on development doubtful operation monitoring, risk information reporting, risk incident management and action plan management.

Underpinned by our Company's general operational strategy, the Company has established risk strategy aiming at maintaining a balance among capital, value, profits and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, safeguarding the Company's good reputation and established its brand image so as to achieve sustainable and healthy development.

## II. Risk Identification and Control

The major risks of the Company in the course of operation and management include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk and liquidity risk, etc.

### (I) Market Risk

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

The Company continued to monitor the composition of investment assets, value at risk (VaR), asset modified duration, balance sheet duration gap ratio and other key market risk indicators. A benchmark early warning system was set up for risk warning. In addition, to cope with extreme circumstances, the Company made use of sensitivity analysis and stress test to measure the level of potential loss to the Company under stress with focus on the impacts of market volatility and interest rate movements on fair value of investment assets and solvency margin ratio of the Company. The proportion of each investment asset was in line with the provisions of CIRC and the internal control requirements of the Company. Based on the results of the risk indicator monitoring and stress test, the market risk of the Company was within a normal controllable range.

To address the market risk, the Company primarily adopted the following measures in 2014: 1. placing emphasis on macro-economic studies and prospectively capturing market trends; 2. proactively managing the positions of equity assets and conducting regular stress tests on its impact on overall return-on-assets level and solvency adequacy ratio to keep risk exposures under control; 3. making stable investment and insisting on asset liability matching as our focus of management; 4. sticking to value investment and selecting assets with potential value appreciation, pursuing for middle-to-long term investment gains; 5. adopting value management as our core value while monitoring the overall liquidity of our assets and gradually adjusting our investment portfolio by adding new assets, so as to match the risk and gain characteristics of the overall investment portfolio with the value and risk management requirements of the Company; and 6. enhancing risk monitoring and early warning to strengthen risk emergency management.

### (II) Credit Risk

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

#### 1. Credit Risk of Investment Business

The Company primarily monitors the credit rating and concentration of investment targets and counterparties to control the proportion of investments with lower credit rating and to ensure that the overall credit risk exposure is within control. More than 90% of the investment deposits and bonds of the Company have a credit rating of AAA and the credit rating of the major counterparties is AAA with low credit default risk. The risks associated with non-standard financial product investments are relatively higher. The Company mainly manages its credit risks through credit analysis by counterparties and credit enhancement arrangements.

To address the credit risk of the investment business, the Company primarily adopted the following measures in 2014: (1) implementing a strict internal credit and rating system for counterparties and making stringent check on the categories of credit investment products; (2) regularly tracking down and monitoring the credit risk of portfolios, analyzing and assessing the potential credit default events to enhance predictability; and (3) implementing subject credit on a "pass-through" basis with respect to non-standard assets to prevent credit risk.

## 2. Reinsurance Credit Risk

In respect of reinsurance credit risk, the Company mainly assesses the proportion of different credit ratings within reinsurance business and the concentration ratio of reinsurance business. In 2014, there were a total of 16 reinsurance companies in cooperation with the Company, and all of their credit ratings were above A as of the end of 2014. Taking Standard & Poor's rating as an example, one company had the AA+ rating, one company had the AA rating, three companies had the AA- rating and nine companies had the A+ rating. In addition, China Life Reinsurance Company Ltd. and China Reinsurance (Group) Company Ltd. only had the AM Best rating, and both of them were A. The Company has good credit distribution within the reinsurance ceding business without material credit risk.

To address the credit risk on reinsurance, the Company formulated the Provisions for Administration of Reinsurance (《再保險管理辦法》), which articulates clearly the requirements on the selection criteria of reinsurer, and also requires regular monitoring on the changes in credit rating of all reinsurance companies so that reasonable measures can be adopted in a timely manner.

### (III) Insurance Risk

Insurance risk refers to the risk of suffering losses arising from the deviation of the actual situation from the projections by relevant assumptions, such as death occurrence rate, illness occurrence rate, compensation rate and surrender rate.

The Company assesses and monitors insurance risk incurred in the insurance business through periodic review of historical and empirical data, sensitivity analysis of main assumptions and other techniques, with focus on the impact of the surrender rate, death occurrence rate, serious illness occurrence rate on the Company's operating results.

The Company mainly manages insurance risk in areas such as product development, underwriting strategies and reinsurance agreements via the following mechanisms and measures: 1. designing proper product terms by way of an effective product development management system on the basis of in-depth market research and pricing profitability analysis to control product pricing risk; 2. making underwriting to each underwriting individual based on appropriate conditions through the implementation of careful underwriting strategies and processes, to ensure that its individual risk is within the scope which the Company could assume; 3. selecting appropriate reinsurance agreements based on the risk characteristics of the insured, and ensuring that reinsurance contract has basically covered products with risk liabilities to effectively transfer insurance risk; 4. reviewing the Company's operating data on a regular basis to implement empirical analysis and trend research, which serve as the basis for adjusting pricing assumptions and assessing assumptions; and 5. reflecting problems found in empirical analysis and relevant information in a timely manner to processes such as product development, underwriting approval and claims settlement to enhance relevant procedures and to improve risk management measures.

### (IV) Operational risk

Operational risk refers to the risks arising out of direct or indirect losses resulting from inadequate or failed internal operational processes, personnel, systems or external events, including legal and regulatory compliance risks. According to the assessment results, the major operational risk faced by the Company is the risk on surrender and maturities, misleading sales as well as insurance litigations.

## 1 Risk on surrender and maturities

Risk on surrender and maturities refers to the more-than-expected or deviated-from-expected occurrence of surrender and maturities, which incurs the risk of insufficient cash flow and customer loss, etc. In 2014, the amount of surrenders of the Company increased significantly over last year. Surrender through bancassurance channel remained the major driving force. In addition, as the policies accumulated at prior sales peak were gradually at maturity and were ready for payout, the maturity amount for 2014 grew significantly as compared with the same period of last year.

To effectively handle the risk on surrender and maturities, the Company mainly adopted the following measures: (1) in respect of risk monitoring, establishing a monthly monitoring system, issuing the monthly risk monitoring report which includes a trackdown of the progress of surrenders of the Company, and timely controlling its branches and the progress of surrenders of products from the perspective of the head office; (2) attaching great importance to risk investigation and surveillance; In 2014, the Company investigated on more than 10 entities to further understand the conditions of such entities and issued risk reminders to key entities; (3) establishing a special fund on surrender risk treatment and allocating such to entities according to the level of risk associated with collective surrender for preventing the risk of collective events and centralized complaints as well as training drills; (4) arranging comprehensive customer service coverage on holidays where each entity is required to designate an emergency contact person who will swiftly respond to customer's complaints during holidays in order to avoid the risk of mass media visits and collective complaints; and (5) stocking up and deploying resources early and making sound human resources arrangements to effectively cope with the collective surrender at peak seasons. In addition, the Company has enhanced the automation technology function of existing systems to accelerate the approval process of surrender. At the same time, the Company has targetedly developed pre-surrender procedures to effectively avoid the escalation and spreading of risks associated with surrender and maturity disputes resulting from untimely fund transfer.

## 2. Risk on misleading sales

Risk on misleading sales represents various misleading acts such as deceit and fraudulent inducement on the part of employees and insurance agencies in the course of sales, which induces customer complaints, negative media exposure, regulatory penalties and collective complaint events, and thus incurs the risk of economic loss, harm on reputation or other adverse impact on the Company. Integrating governance of misleading sales based on external regulation and the Company's requirements of strategic transformation is a major task of the Company. After the recent few years of governance, normative control of sales behaviors at all levels has been considerably improved. However, the problem has not yet been fully solved.

To effectively handle the risk on misleading sales, the Company mainly adopted the following measures in 2014: (1) actively implementing the assessment mechanism on the effectiveness of the Company's internal control over misleading sales and using such assessment results in the performance appraisal by entities and departments; (2) drawing up the Measures on Accountability of Misleading Sales (《銷售誤導責任追究辦法》) and strengthening the accountability of misleading sales behaviors; (3) stepping up the implementation efforts on the Measures on Quality Management of Individual Insurance Agents (《個人業務保險營銷員品質管理辦法》) via individual insurance agent channel and implementing agent "clearance" and strictly carried out the assessment on the accuracy of customer information; (4) strictly implementing the Measures on Quality Management of Banking Insurance Agents (2013 Version) (《銀行代理業務人員品質管理辦法(2013版)》) via bancassurance channel, kicking off the development of quality management system, aligned with integrity system of the insurance agents of the Company, providing supplementary quality rating assessment information, and establishing credibility archives of insurance agents; and (5) issuing the Measures on Quality Management of Renewal Insurance Agents (2014 Version) (《續收業務人員品質管理辦法(2014版)》) made by the premium channel, which explicitly sets out the requirements on renewal insurance agents in terms of the changing team and business scope.

### 3. *Insurance litigation risk*

Risk on insurance litigation refers to risks arising out of infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegal operation of the insurer that result in economic loss, reputation damage or other adverse effects to the Company. In 2014, the number of insurance litigation cases increased as compared with the previous year.

To effectively handle the risk on insurance litigation, the Company mainly adopted the following measures: (1) timely carrying out investigation and verification and properly dealing with the litigation, increasing efforts in stolen money to maximize recovery of loss; (2) timely reporting to and communicating with regulatory authorities, government departments and press media to obtain guidance and support and safeguard social stability; (3) strictly demanding accountability to highlight the disciplinary implications of conviction; (4) strengthening education on relevant laws and warning; (5) seriously addressing the problems and loopholes reflected in litigation and carrying out comprehensive risk-based inspection to make up for management loopholes and preventing re-occurrence of litigation risk; (6) further regulating the management system, improving work flow and implementing measures on prevention, monitoring and handling of litigation on a fundamental basis.

In addition to the measures adopted to address the above major operational risks, the Company also addressed the routine operational risks by optimizing management processes, strengthening internal control, carrying out risk-based inspection and strengthening compliance management. The Company (1) rationalized the authorization management and incompatible positions, prepared and promulgated an authorization management system across the Company, carried out the authorization sorting work throughout the systems, rationalized other key business procedures and prepared proposals or reports; (2) organised the annual comprehensive risk-based inspection, carried out in-depth analysis on the problems identified in risk-based inspection, identified nine major deficiencies including funding litigation, authorization management, customer information accuracy, business accuracy, funding management and fee management; (3) organised and pushed ahead the rectification of internal control deficiencies according to the nine major deficiencies identified, prepared deficiency rectification proposals, regularly followed the deficiency rectification progress and continued to drive the rectification; (4) strengthened supervision on operations such as internal audit. The audit plan has over-accomplished the annual target.

### (V) **Reputation risk**

Reputation risk refers to the risk of suffering losses due to negative issues on the Company's brand and reputation. Generally speaking, in 2014, our operations and development remained stable and healthy. Various operating indicators were good. Press commentaries on the Company by external media were primarily positive. At the same time, as a result of the abrupt changes in the media industry, reputation risk management becomes increasingly difficult.

To address the reputation risk, the Company primarily adopted the following measures in 2014: 1. insisting on comprehensive network monitoring and implementing 7\*24 hours monitoring over portal websites, We Media and traditional media with a view to fully grasp the public opinion information relating to the Company; 2. subject to the information disclosure requirements, enhancing information transparency through active disclosure by means of press release, head office visit and media interview to reduce the possibility of misinterpretation of the Company's information by the media; 3. continuously upholding our corporate image as a proactive and positive insurance corporation, and stepping up to shoulder corporate social responsibilities and proactively participating in social philanthropy and charity affairs.

**(VI) Strategic risk**

Strategic risk refers to the risk of mismatching strategies, market conditions with capabilities of the Company arising from ineffective strategies formulation and implementation processes or changes in operational environment. In 2014, the Company firmly seized the “customer-centric” strategic direction, thoroughly implemented the strategic approach of “adhering to continuous and steady growth of existing businesses, transformation and innovation, value and back to the fundamentals of insurance” and steadily pushed ahead various strategic initiatives including “ten major systems, six major platforms, three major capabilities and two extended segments”. Throughout the year, the Company achieved business growth, value appreciation and solid profit growth. Various transformation measures were also gradually implemented and achieved the stated objectives.

To address the strategic risk, the Company mainly adopted the following measures in 2014: 1. reviewing and assessing the planning report for 2014, prepared the development plan for 2014-2016, outlining the growth path for the Company based on the key strategic transformation period to ensure the reasonableness and forward-looking vision of the strategic plans of the Company; 2. formulating and implementing the operating plans for 2014 to ensure that the strategic plans of the Company were thoroughly implemented across all levels of the Company; 3. strengthening the research and judgement on internal and external circumstances, seeking strategic opportunities arising from the new policies, analyzing the effects of strategic layout, operating principles, product and service innovation and new technology application on the future development of the Company, and exploring new strategic direction and transformation of management model; and 4. stepping up dynamic tracking of operations and established a communication and exchange system between regional branches and agencies to form an effective appraisal system and model as basis for decision-making in the course of daily operation.

**(VII) Liquidity risk**

Liquidity risk refers to the risk arising from insufficient funds or highly necessary finance costs out of maturity of debts or occurrence of the obligation to serve debts. In 2014, the overall liquidity of the Company was satisfactory. However, as a result of significant surrender of individual products, it is likely that some accounts may experience relatively tight liquidity in the near term.

To address the liquidity risk, the Company primarily adopted the following measures in 2014: 1. in the product design stage, minimizing the adverse impact of surrenders yet without compromising the legal interests of the insured and our market competitiveness; 2. in the product sales management stage, imposing strict control on irregular sales conducts to enhance the business quality; 3. overseeing the surrender rate related matrix daily, and handling unusual changes in a swift manner; 4. establishing settlement reserve system for contingency payments in case of short-notice request on large amount payments; 5. conducting regular stress tests to enhance cash flows projections, monitoring and evaluating the current assets and current ratio to enable the formulation of solutions in advance; and 6. planning and managing long-term liquidity, and adjusting mid-to-long term assets allocation by considering the overall liquidity of assets and liabilities with reference to our investment guidelines.



## Section 11

# Report of the Board

### I. Main businesses and results analysis

As approved by the regulatory authorities and the company registration authorities, the business scope of the company is: Life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any change of major business scope of the Company during the reporting period.

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

### II. Principal customers

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

### III. Dividend distribution

#### (I) Dividend distribution policies

According to Article 265 of the Company's Articles of Association, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.
2. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the board of directors based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year.
3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the board of directors considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.

4. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution for submission to the general meeting for consideration. The INEDs of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly medium and minority shareholders through various channels, carefully listen to the feedbacks and requests by the medium and minority shareholders, and give timely response to the medium and minority shareholders on the relevant matters. Following a resolution approving such profit distribution plan passed at a shareholders' general meeting, the board of directors shall implement the distribution of the dividends within two months from the convention of such general meeting.

The dividend distribution policies of the Company clarify the standards and percentage of dividend distribution, emphasize the roles of INEDs and pay attention to the communication with minority shareholders. The dividend distribution policies also stipulate in detail the conditions and procedures on the adjustments or changes of dividend distribution policies and thus protect the legitimate rights of minority shareholders.

## (II) Dividend distribution in the recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit achieved within the year as contained in the financial statements
2014	0.21	655	6,444	10.16%
2013	0.15	468	4,578	10.22%
2012	0.32056	1,000	2,933	34.09%

### 1. Annual dividend plan of 2014

On the basis of a comprehensive analysis of factors including but not limited to the operating environment of the financial industry, characteristics of the Company's capital requirements, requirements of domestic and international shareholders, cost of social capital, external financing environment and current regulatory policies, the Company formulated a dividend distribution plan for 2014 after fully considering present and future business development, scale of profits, demand for investment capital and the Group's and Company's solvency status and attaining equilibrium between sustainable business development and shareholders' comprehensive returns.

The 25th meeting of the fifth session of the Board held on 25 March 2015 considered and approved the dividend distribution plan of the year 2014, resolving to distribute a cash dividend of RMB655 million to all the shareholders of the Company, which is RMB0.21 per share (including tax) as divided by the issued capital.

The remaining undistributed profits will be carried forward to 2015 and retained earnings will be preserved as internal capital in order to withstand insufficient solvency caused by unfavorable and unexpected fluctuations in the capital markets, and further to prevent its negative impact on the Company's normal business operations.

The company has no plan of increasing shares with the use of capital reserve for the year 2014.

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

**2. Annual dividend of 2013**

In 2013, the Company distributed an annual cash dividend of RMB0.15 per share (including tax), amounting to RMB468 million. For details of the annual dividend distribution of 2013, please refer to *Announcement On The Voting Results Of the Annual General Meeting Of 2013 And Distribution Of 2013 Annual Dividend* published by the Company on 20 May 2014.

**3. Special dividend of 2012**

In 2012, the Company distributed a special dividend of RMB0.32056 per share (including tax), which amounted to approximately RMB1 billion. Please refer to the *Announcement on the Declaration of Special Dividend* published by the Company on 26 July 2012 for the details of the special dividend.

**IV. Changes in accounting policies and accounting estimates**

Changes in accounting estimates of the Company for 2014 mainly included changes in actuarial assumptions, and there was no other change in major accounting estimates. The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, surrender rates, and policy dividend assumptions, based on information available as of the balance sheet date to measure insurance contracts liabilities as of the balance sheet date.

The Company re-assessed the above assumptions on 31 December 2014 according to the information then available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in statement of comprehensive income. The aforementioned change in assumptions resulted in an increase of RMB820 million in the life insurance liability reserve funds, an increase of RMB345 million in the long term health insurance liability reserve funds, and a decrease of RMB1,165 million in profit before income tax on 31 December 2014.

**V. Use of proceeds**

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

**VI. Reserves**

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

**VII. Charitable donations and other donations**

During the reporting period, the charitable donations and other donations of the Company approximated to RMB17,949,300. For details please refer to Section 12 "Corporate Social Responsibility" of the report.

**VIII. Property, plant and equipment**

Please see Note 6 to the Consolidated Financial Statements for details of property, plant and equipment of the Company during the reporting period.

**IX. Share capital**

Please see Section 7 "Changes in Share Capital and Shareholders' Profile" of this annual report for details of changes in share capital during the reporting period.

#### **X. Issue of debts**

Please see Section 6 “Significant Events – IX. Other significant events” of this annual report for details of issue of debts of the Company during the reporting period.

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

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)(《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations, the Company shall, as a withholding agent, withhold and pay dividend income tax for the H shareholders in respect of the dividend to be distributed to them, including individual income tax for individual foreign shareholders and enterprise income tax for non-resident enterprise shareholders. For details regarding withholding and payment of dividend income tax for the H shareholders and materials that H shareholders need for tax deduction, please refer to announcements to be published by the Company in due course.

#### **XII. Bank loans**

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

#### **XIII. Post-balance sheet events**

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

#### **XIV. Connected transactions**

Please see Section 6 “Significant Events – IV. Connected transactions” of this annual report for details of connected transactions of the Company.

#### **XV. Management contracts**

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

#### **XVI. Purchase, sale or redemption of the listed securities of the company**

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

#### **XVII. Pre-emptive right**

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

#### **XVIII. Biographies of directors, supervisors and senior management**

For the biographical details of directors, supervisors and senior management, please refer to Section 8 “Information of Directors, Supervisors, Senior Management and Employees” of this annual report.

## Section 11

### Report of the Board

#### **XIX. Interests of directors and supervisors in competitive businesses**

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

#### **XX. Service contracts and remunerations of directors and supervisors**

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

For remunerations of the directors and supervisors, please refer to Section 8 "Information of Directors, Supervisors, Senior management and Employees" of this annual report.

#### **XXI. Interests of directors and supervisors in the contracts of significance**

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

#### **XXII. Rights of directors and supervisors to acquire shares**

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

#### **XXIII. Statement of the board on internal control responsibility**

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2014 by the Board of the Company in compliance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the establishment and operation of internal control system were effective as a whole.

#### **XXIV. Sufficient public float**

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

By order of the Board

**KANG Dian**  
Chairman

## Section 12

# Corporate Social Responsibility

### I. Communication system of strategy, culture and corporate social responsibility of the Company

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

In 2014, the Company had outlined a clear profile of its mission and responsibility. While the Company is dedicated to create value for our shareholders, it also puts more efforts on better performance of corporate social responsibility. The Company actively communicated with all stakeholders (stakeholders of the Company include clients, shareholders, staff, government and communities, regulators and partners, environments and so on) to understand their needs and establish a set of complete corporate social responsibility structure via combining its own business and operation characteristics and thorough analysis.

### II. Providing the guarantee of happy life for customers

In 2014, the Company continued to thoroughly promote the “customer-centric” transformation. The core objective of the Company’s strategic transformation is to create the ultimate customer experience and establish a brand-new customer relationship grounded on mutual friendship, understanding, trust and dependence. Creating well-defined, consistent and comprehensive services covering the whole life cycle of customers is the only way in embarking on a brand-new customer relationship. To this end, we continued to refine and foster our “customer-centric” operation initiatives, thereby providing customers with all-round insurance and wealth management services that cover the whole life cycle to make their life better.

The Company deeply understands customers’ varying insurance demands in different stages of life. Through adjusting the product structure, the Company has developed a comprehensive product structure comprising four major product series, namely, pension, health, savings and wealth management with distinctive features, comprehensive functions and wide varieties, covering general insurance products and new life insurance products which fully satisfy the needs in different stages of life with respect to accident risk prevention, health, medicare, pension, child education and family wealth management.

In 2014, the Company successively issued and implemented a series of documents regulating operations and sales and further strengthened the compliance quality management of individual insurance agents to improve their sincerity, sense of responsibility and compliance operation consciousness.

## Section 12

### Corporate Social Responsibility

The Company has been continuously improving the establishment of service platforms and a series of integrated service platforms containing the customer service center, 95567 call center, official website, SMS service, weixin service and mail service to provide customers with service channels in multiple forms, thus enabling customer service means to become increasingly diversified, personalized and convenient.

As at 31 December 2014, the Company had paid RMB3,596 million of accumulated benefits for the year, and the number of settled claims reached 811,000, and achieved a remarkable improvement in the satisfaction of claim settlements. In 2014, the Company had launched responses to a total of 155 emergency claims, including 35 Grade I emergency claims, 20 Grade II emergency claims, 34 Grade III emergency claims and 66 Grade IV emergency claims, for which a total of 6,288 persons were inspected; 747 persons were consulted; 163 insurance customers were identified; a total of 30 persons were approved for claims; and benefits of various insurance products amounted to RMB1,606,500.

### III. Offering stable and sustainable returns to shareholders

The Company insists on the operational philosophy of “creating value, stability and continuity” and always regards the value as an important indicator in the operation objectives and performance assessment of the Company. The Company does not only continuously enhance its business value and business quality as well as optimizes its management platform and business model, but also focuses on the balanced development in value and scale. Since its foundation in 1996, the Company has realized rapid growth in premiums and developed strong and powerful competitive advantages, while trying hard to improve its core competitiveness. By establishing a scientific and effective corporate governance structure, reinforcing compliance operations, improving risk control system, enhancing assets management business and strictly regulating its information disclosure system, the Company has brought stable investment returns to its shareholders, and realized the sustainable development of value as well as built a first-class public company.

### IV. Creating opportunities for staff to realize their value

A quality workforce serves as the base for the future development and prosperity of the Company. The Company has always adhered to the values of “honesty, responsibility, fairness, innovation and activeness” and the recruitment principle of “only hiring those with both ability and integrity”, placing great importance to the interests and development of employees, striving to provide our staff with a good working environment, excellent compensation and benefits as well as a systematic plan for development and to promote the continuous growth of our staff working both inside and outside the office.

In 2014, the Company implemented efficient operation of the new position system, career development system and remuneration system, while continued to adhere to the human resources management and employment culture featuring fairness and justice, scientific reasonableness, efficient regulation, innovative expansion and incentive performance. In this year, the Company was among the “Top 10 Best Insurance Employers” at the “12th Best Insurance Employers by PRC Graduates” organised by ChinaHR.com.

### V. Making contribution to a harmonious and peaceful society

In 2014, the Company made a donation of approximately RMB17,949,300 in aggregate during the year. In particular, upon the outbreak of the Ludian earthquake in Yunnan, the Company launched the Grade I major emergency response for the first time and made ten major commitments to provide ten convenient services including claim without policy proof for customers in the affected area. The Company also donated RMB4 million to the stricken area of the Yunnan earthquake through the “New China Life Women and Children Caring Fund” jointly established with China Women’s Development Foundation to support earthquake relief and home rebuilding.

#### VI. Exploring the way of the healthy development of the industry

The Company has been actively cooperating with supervisory authorities of all levels, strictly abiding by the laws, regulations and relevant policies, actively participating in formation of industry culture and maintaining orders of the industry, leveraging its own advantages, actively exploring new ideas and methods to promote the healthy development of the insurance industry and to foster further prosperity of insurance culture. In the meantime, the Company endeavored to expand the depth and breadth of cooperation with partners to realize mutual benefits and harmonious win-win situations.

#### VII. Proactively participating in the environmental protection

The Company has always taken environmental protection as a strategic issue concerning its development. “Building an environmental friendly enterprise” has always been the principle of corporate operation and objective of the Company. In 2014, in addition to enhancing the environmental awareness of its staff, the Company also actively organised related activities to attract participation from customers and business partners to further reduce carbon emission.

The Company invested a large amount of funds into the corporate information construction and developed customer experience tools such as “New China Palm” (掌上新華). With continuous optimization on electronic service platforms and enhancement in electronic service tools, the Company offered a comprehensive range of tailored and convenient services for customers and enhanced the quality of customer services. In the meantime, with modern and information-oriented means of office working, such printing consumables as papers and toner cartridges were gradually less used; through the introduction of energy saving and environmental protection equipment, energy consumption was reduced; smoking was prohibited in all workplaces to create a healthy working environment; on the other hand, the Company further intensified the functions of wexin, SMS, multimedia messages and call center to further decrease the environmental protection cost of customer services.



## Section 13

# Embedded Value

### TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

#### To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCL") has prepared embedded value results for the financial year ended 31 December 2014 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

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

#### Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2014, in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2014; and
- A review of the results of NCL's calculation of the EV Results, comprising:
  - the embedded value and the value of one year's new business as at 31 December 2014;
  - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2014; and
  - the analysis of change of the embedded value from 31 December 2013 to 31 December 2014.

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

## Opinion

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

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

Towers Watson confirms that the results shown in the Embedded Value section of NCI’s 2014 annual report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

**Michael Freeman, FIAA**

**Wesley Cui, FSA, FCAA**

25 March 2015

## The 2014 Annual Embedded Value Report of NCI

### I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2014 and have disclosed the relevant information in this section.

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

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

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

The embedded value as of 31 December 2014 is prepared by us in accordance with relevant regulations under the "Life Insurance Embedded Value Reporting Guidelines" (hereinafter referred to as "EV Guidelines") issued by the China Insurance Regulatory Commission in September 2005. Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Towers Watson is contained in the "Towers Watson's Review Opinion Report on Embedded Value" section.

## II. Definitions of Embedded Value

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

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

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

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

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

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

## III. 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.

### (I) Risk Discount Rate

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

### (III) Investment Returns

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

	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.

### (III) 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.

### (IV) Morbidity

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

### (V) Discontinuance Rates

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

**(VI) Expenses**

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

**(VII) Commission and Handling Fees**

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

**(VIII) Policyholder Bonuses and Dividends**

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

**(IX) Tax**

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

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

**(X) Cost of Holding Required Capital**

The level of required capital assumed to be held by us in the calculation of VIF and 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.

**(XI) Other Assumptions**

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

Our current reinsurance arrangements have been assumed to remain unaltered.

#### IV. 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.

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

Notes:

- Numbers may not be additive due to rounding.
- 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.
- The impact of major reinsurance contracts has been reflected in the Embedded Value and Value of One Year's New Business.

Valuation Date	Unit: RMB in millions	
	31 December 2014	31 December 2013
<b>Value of One Year's New Business by Distribution Channel</b>		
Individual insurance agent channel	<b>4,713</b>	3,847
Bancassurance channel	<b>282</b>	472
Group insurance channel	<b>(83)</b>	(83)
<b>Total</b>	<b>4,912</b>	4,236

Notes:

- Numbers may not be additive due to rounding.
- 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.
- The impact of major reinsurance contracts has been reflected in Value of One Year's New Business.
- 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.

## V. 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%

<b>1.</b>	<b>EV at the beginning of period</b>	<b>64,407</b>
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)
<b>11.</b>	<b>EV at the end of period</b>	<b>85,260</b>

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.

## VI. 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



Section 14

# Appendix

Audited financial report for 2014

**Independent Auditor's Report  
To the shareholders of New China Life Insurance Company Limited**

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

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 127 to 256, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Directors' Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

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

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

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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong  
25 March 2015

# Consolidated Statement of Financial Position

As at 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
<b>ASSETS</b>			
Property, plant and equipment	6	5,917	4,471
Investment properties	7	1,665	1,594
Intangible assets	8	1,559	1,512
Investments in associates	9	10,150	9,404
Debt securities		345,518	305,558
– Held-to-maturity	10(1)	175,997	183,008
– Available-for-sale	10(2)	117,490	96,449
– At fair value through profit or loss	10(3)	6,286	1,700
– Loans and receivables	10(4)	45,745	24,401
Equity securities		60,403	32,185
– Available-for-sale	10(2)	58,012	31,446
– At fair value through profit or loss	10(3)	2,391	739
Term deposits	10(5)	167,297	163,137
Statutory deposits	10(6)	716	716
Policy loans		14,903	8,841
Financial assets purchased under agreements to resell		1,584	1,336
Accrued investment income	10(7)	10,644	9,849
Premiums receivable	11	1,543	1,581
Deferred tax assets	20	36	1,040
Reinsurance assets	12	3,020	2,954
Other assets	13	4,251	3,101
Cash and cash equivalents		14,503	18,570
<b>Total assets</b>		<b>643,709</b>	<b>565,849</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2014	2013
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contracts			
Long-term insurance contract liabilities	14	478,406	425,394
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	562	520
– Unearned premiums liabilities	14	1,132	967
Investment contracts	15	28,213	25,933
Borrowings	16	19,000	15,000
Financial assets sold under agreements to repurchase	17	59,234	52,211
Benefits, claims and surrenders payable		1,301	959
Premiums received in advance		2,246	432
Reinsurance liabilities		67	54
Provisions	18	29	458
Other liabilities	19	5,090	4,584
Current income tax liabilities		48	19
Deferred tax liabilities	20	17	–
<b>Total liabilities</b>		<b>595,345</b>	<b>526,531</b>
<b>Shareholders' equity</b>			
Share capital	21	3,120	3,120
Reserves	22	30,300	25,903
Retained earnings		14,939	10,289
<b>Equity attributable to owners of the parent</b>		<b>48,359</b>	<b>39,312</b>
<b>Non-controlling interests</b>		<b>5</b>	<b>6</b>
<b>Total equity</b>		<b>48,364</b>	<b>39,318</b>
<b>Total liabilities and equity</b>		<b>643,709</b>	<b>565,849</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

# Statement of Financial Position

As at 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Notes	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
<b>ASSETS</b>				
Property, plant and equipment	6	4,790	4,042	3,747
Investment properties	7	1,665	1,594	1,635
Intangible assets	8	1,513	1,497	93
Investments in subsidiaries	9	23,045	21,335	1,320
Investments in associates		10,150	9,404	708
Debt securities		325,270	285,489	234,119
– Held-to-maturity	10(1)	175,997	183,008	176,817
– Available-for-sale	10(2)	117,292	96,430	55,624
– At fair value through profit or loss	10(3)	6,248	1,661	1,381
– Loans and receivables	10(4)	25,733	4,390	297
Equity securities		60,061	32,175	32,039
– Available-for-sale	10(2)	57,687	31,446	28,711
– At fair value through profit or loss	10(3)	2,374	729	3,328
Term deposits	10(5)	166,797	162,937	171,652
Statutory deposits	10(6)	715	715	715
Policy loans		14,903	8,841	3,866
Financial assets purchased under agreements to resell		1,545	1,282	–
Accrued investment income	10(7)	10,625	9,985	10,760
Premiums receivable	11	1,543	1,581	1,556
Deferred tax assets	20	–	1,024	846
Reinsurance assets	12	3,020	2,954	3,282
Other assets	13	4,082	3,525	2,964
Cash and cash equivalents		13,885	17,407	24,262
<b>Total assets</b>		<b>643,609</b>	<b>565,787</b>	<b>493,564</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

## Statement of Financial Position (Continued)

As at 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Notes	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Insurance contracts				
Long-term insurance contract liabilities	14	478,406	425,394	361,070
Short-term insurance contract liabilities				
– Outstanding claims liabilities	14	562	520	452
– Unearned premiums liabilities	14	1,132	967	750
Investment contracts	15	28,213	25,933	18,988
Borrowings	16	19,000	15,000	15,000
Financial assets sold under agreements to repurchase	17	59,234	52,211	55,437
Benefits, claims and surrenders payable		1,301	959	789
Premiums received in advance		2,246	432	518
Reinsurance liabilities		67	54	33
Provisions	18	29	458	458
Other liabilities	19	4,911	4,446	4,208
Current tax liabilities		–	–	47
Deferred tax liabilities	20	17	–	–
<b>Total liabilities</b>		<b>595,118</b>	<b>526,374</b>	<b>457,750</b>
<b>Shareholders' equity</b>				
Share capital	21	3,120	3,120	3,120
Reserves	22	30,294	25,904	25,967
Retained earnings		15,077	10,389	6,727
<b>Total equity</b>		<b>48,491</b>	<b>39,413</b>	<b>35,814</b>
<b>Total liabilities and equity</b>		<b>643,609</b>	<b>565,787</b>	<b>493,564</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2014	2013
<b>REVENUES</b>			
Gross written premiums and policy fees	23	110,067	104,073
Less: premiums ceded out		(404)	(293)
<b>Net written premiums and policy fees</b>		<b>109,663</b>	<b>103,780</b>
Net change in unearned premiums liabilities		(193)	(165)
<b>Net premiums earned and policy fees</b>		<b>109,470</b>	<b>103,615</b>
Investment income	24	31,784	24,374
Other income	25	840	228
<b>Total revenues</b>		<b>142,094</b>	<b>128,217</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(1,115)	(1,186)
Life insurance death and other benefits	26	(64,883)	(36,601)
Increase in long-term insurance contract liabilities	26	(46,019)	(65,954)
Investment contracts benefits		(1,144)	(869)
Commission and brokerage expenses		(7,641)	(6,422)
Administrative expenses	27	(11,335)	(9,977)
Other expenses	28	(543)	(643)
<b>Total benefits, claims and expenses</b>		<b>(132,680)</b>	<b>(121,652)</b>
Share of profits and losses of associates		539	364
Finance costs	29	(2,171)	(1,970)
<b>Profit before income tax</b>		<b>7,782</b>	<b>4,959</b>
Income tax expense	20	(1,375)	(535)
<b>Net profit for the year</b>		<b>6,407</b>	<b>4,424</b>
<b>Net profit for the year attributable to:</b>			
– Owners of the parent	30	6,406	4,422
– Non-controlling interests		1	2
<b>Earnings per share (RMB)</b>			
Basic and diluted	31	2.05	1.42

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2014	2013
<b>Net profit for the year</b>	6,407	4,424
<b>Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods</b>		
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
<b>Total other comprehensive income/(losses) for the year, net of tax</b>	<b>3,107</b>	<b>(980)</b>
<b>Total comprehensive income for the year</b>	<b>9,514</b>	<b>3,444</b>
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the parent	9,513	3,442
– Non-controlling interests	1	2

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves (Note 22)	Retained earnings	Total		
<b>For the year ended 31 December 2013</b>						
<b>As at 1 January 2013</b>	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)
<b>Total comprehensive income</b>	<b>–</b>	<b>(980)</b>	<b>4,422</b>	<b>3,442</b>	<b>2</b>	<b>3,444</b>
Dividends paid	–	–	–	–	(4)	(4)
Appropriation to reserves	–	916	(916)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>916</b>	<b>(916)</b>	<b>–</b>	<b>(4)</b>	<b>(4)</b>
<b>As at 31 December 2013</b>	<b>3,120</b>	<b>25,903</b>	<b>10,289</b>	<b>39,312</b>	<b>6</b>	<b>39,318</b>
<b>For the year ended 31 December 2014</b>						
<b>As at 1 January 2014</b>	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
<b>Total comprehensive income</b>	<b>–</b>	<b>3,107</b>	<b>6,406</b>	<b>9,513</b>	<b>1</b>	<b>9,514</b>
<b>Effect on capital injection to subsidiary</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>(2)</b>	<b>–</b>
Dividends paid (Note 32)	–	–	(468)	(468)	–	(468)
Appropriation to reserves	–	1,288	(1,288)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>1,288</b>	<b>(1,756)</b>	<b>(468)</b>	<b>–</b>	<b>(468)</b>
<b>As at 31 December 2014</b>	<b>3,120</b>	<b>30,300</b>	<b>14,939</b>	<b>48,359</b>	<b>5</b>	<b>48,364</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>Net cash flows from operating activities</b>	<b>25,052</b>	<b>56,205</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>Net cash flows from investing activities</b>	<b>(38,544)</b>	<b>(57,118)</b>

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

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

The notes on pages 136 to 256 form an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

*For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)*

## 1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the “Company”) was established as a joint stock limited company in September 1996 in Beijing, the People’s Republic of China (the “PRC”) with the authorization of the State Council of the PRC and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the China Insurance Regulatory Commission (the “CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the overallotment shares. Upon the approval of the CIRC, the Company’s registered capital was increased to RMB3,120 million. The address of the Company’s registered office is No.1 East Hunan Road, Yanqing County, Beijing, the PRC.

The business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 31 December 2014, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36. The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the “Group”.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### (1) Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the “IASB”). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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

##### **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 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 investment 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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

##### **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 ended 31 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. A statement of financial position of the Company as at 1 January 2013 is presented in accordance with the requirement of IAS 1.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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

##### **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.

#### (b) *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*

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Basis of preparation (Continued)

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

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 supersedes 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

#### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has effective control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Basis of consolidation (Continued)

#### (a) Subsidiaries (Continued)

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

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

#### (b) Transactions with non-controlling shareholders

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

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

#### (c) Associates

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Basis of consolidation (Continued)

#### (c) Associates (Continued)

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

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

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

#### (d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

It depends on management judgment whether the Group, as the asset manager, is an agent or a responsible organization for a structured entity. As an agent, the Group's mainly protects the interests of stakeholders and does not control the structural entity; on the contrary, as a responsible organization, the Group mainly protects its interests of the Group and controls the structured entity.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Basis of consolidation (Continued)

#### (d) Structured entities (Continued)

The Group has determined that all of its trust products, debt investment plans, equity investment plans, asset management products and asset funding plans, except for those that are controlled, are investments in unconsolidated structured entities. Trust products, equity investment plans and asset funding plans are managed by trust companies or asset managers who invest the funds in loans to or equities in other companies. Debt investment plans are managed by unrelated asset managers and their major investment objectives are infrastructure and property, plant and equipment funding projects. Trust products, debt investment plans, equity investment plans and asset funding plans finance their operations by issuing beneficiary certificates which entitle the holder to a proportional stake in income of the respective trust products, debt investment plans, equity investment plans and asset funding plans.

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

### (3) Segment reporting

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

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

### (4) Foreign currency translation

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (5) Property, plant and equipment

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

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

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

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

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (6) Investment properties

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

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

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

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

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

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

### (7) Intangible assets

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (7) Intangible assets (Continued)

Useful lives of intangible assets are listed below:

	<b>Useful life</b>
Land use rights	40 years
Computer software and others	3-5 years

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

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

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

Impairment testing of the investments in subsidiaries and associates is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the investee concerned in the period the dividend is declared.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets

#### (a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity securities, securities at fair value through profit or loss, available-for-sale securities and loans and receivables. Management determines the classification of the Group's financial assets at initial recognition based upon the purpose for which the financial assets are acquired.

#### (i) Held-to-maturity securities

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

#### (ii) Securities at fair value through profit or loss

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

#### (iii) Available-for-sale securities

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

#### (iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables in debt securities as presented in the consolidated statements of financial position.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognized when: the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

When substantially all the risk and rewards of ownership of the financial asset have been transferred to transferees, the Group derecognises the financial asset. Otherwise, the Group does not derecognise the financial asset.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (b) Recognition and measurement (continued)

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset: (i) if the Group gives up control of the financial asset, it derecognises the financial asset and recognises the associated asset and liability; (ii) if the Group retains control of the financial asset, it continues to recognise the transferred financial asset to the extent of its continuing involvement and it also recognises an associated liability.

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

#### (c) Term deposits

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

#### (d) Policy loans

Policy loans are carried at amortized cost less impairment.

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

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, and loans, under agreements to resell at predetermined prices. These agreements, with terms no more than six months, are carried at amortized cost using the effective interest method.

#### (f) Offsetting financial instruments

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (9) Financial assets (Continued)

##### (g) *Impairment of financial assets other than securities at fair value through profit or loss*

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

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The Group reviews whether a decline in value is impairment for available-for-sale equity securities separately at the end of the reporting period. If the market price of the equity securities was more than 50% below its cost (50% included) at the balance sheet date, or the market price of the equity securities was below its cost for a period of more than one year (one year included), this indicates that the equity security is impaired. In the case of equity investments classified as available-for-sale carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost.

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (g) Impairment of financial assets other than securities at fair value through profit or loss (Continued)

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

### (10) Cash and cash equivalents

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

### (11) Insurance contracts and investment contracts

#### (a) Classification

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (11) Insurance contracts and investment contracts (Continued)

##### (b) Insurance contracts

###### (i) Recognition and measurement

###### Short-term insurance contracts

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

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

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

###### Long-term insurance contracts

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (11) Insurance contracts and investment contracts (Continued)

#### (b) Insurance contracts (Continued)

##### (i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

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

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (11) Insurance contracts and investment contracts (Continued)

#### (b) Insurance contracts (Continued)

##### (i) Recognition and measurement (Continued)

Universal life contracts and unit-linked contracts

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

- Insurance components
- Non-insurance components

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

##### (ii) Liability adequacy test

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

##### (iii) Reinsurance contracts held

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (11) Insurance contracts and investment contracts (Continued)

#### (c) *Investment contracts*

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

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

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

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

### (12) Financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities when they are initially recognised. The Group's financial liabilities include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowing. Relevant transaction costs of financial liabilities at fair value through profit or loss are recorded in the profit or loss. Relevant transaction costs of other financial liabilities are recorded in their initial recognised value.

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

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost using the effective interest method.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (12) Financial liabilities (Continued)

#### (b) Liabilities of investment contracts

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

#### (c) Borrowings

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

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

### (13) Derivative instruments

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (14) Employee benefits

Employee benefits represent all forms of returns or reimbursement that the Group pays employees for their services or for termination of labor relationship. The compensation includes salaries, bonuses, allowances and subsidies, staff welfare expenses, social insurance and housing accumulation funds, labor union fees and employee education fees, etc.

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

In addition to the above social security plans, the Group set up an annuity fund in January 2014, whereby the Group is required to contribute to the annuity fund according to certain contribution bases and percentages monthly. Contribution amounts calculated in accordance with the annuity fund are recognized as liabilities and are recorded as expenses during the accounting period the employees participating in the scheme provide services.

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

### (15) Share capital

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (16) Revenue recognition

##### (a) Premium and policy fee

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

##### (b) Investment income

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

##### (c) Other income

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

#### (17) Commission and brokerage expenses

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

#### (18) Income tax

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Income tax (Continued)

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

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

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

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

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

### (19) Government grants

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

### (20) Operating leases

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (21) Provisions

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

### (22) Contingencies

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

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

### (23) Earnings per share

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

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

### (24) Change in accounting policy

In August 2014, the IASB published *Equity Method in Separate Financial Statements* (Amendments to IAS 27). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendments are required to be applied retrospectively.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (24) Change in accounting policy (Continued)

The Company has decided to early adopt the amendments to IAS 27. The Company has changed the related accounting policy and chose to account for the investments in associates using the equity method retrospectively as at 31 December 2014. Previously, the Company accounted for the investments in associates at cost in the Company's separate financial statements.

The change in accounting policy has no impact on the Group's consolidated financial statements.

The impact of the above change in accounting policy on the Company's separate financial statements is as follows:

Company	1 January 2014		
	Before change in accounting policy	Impact of change in accounting policy	After change in accounting policy
Investments in associates	9,210	194	9,404
Reserves	25,856	48	25,904
Retained earnings	10,243	146	10,389

Company	1 January 2013		
	Before change in accounting policy	Impact of change in accounting policy	After change in accounting policy
Investments in associates	610	98	708
Reserves	25,919	48	25,967
Retained earnings	6,675	52	6,727

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

#### Significant judgments

##### (1) *Unbundling and classification of hybrid contracts*

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

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

##### (2) *Testing the significance of insurance risk*

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Significant judgments (Continued)

#### (3) *Operating lease – As the lessor*

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

### Estimation uncertainty

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

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

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

The judgments exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognized in the consolidated financial statements as insurance contracts benefits and insurance contract liabilities.

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

#### (2) *Fair value of financial assets*

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### (2) Fair value of financial assets (Continued)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

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

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

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

##### (4) Deferred income tax assets

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### (5) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Irregularities as described in Note 3(6) below; and pending lawsuits and disputes (Note 18). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

#### (6) Former Chairman Irregularities

The former chairman of the Company, who served from 1998 to 2006 (the "Former Chairman"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (continued)

##### (6) Former Chairman Irregularities (Continued)

In 2001 and 2002, the Company entrusted New Industry to hold 170 million shares of China Minzu Securities Co., Ltd. ("Minzu Securities"), and Orient Group Co., Ltd. ("Orient Group") was involved in this transaction. On 30 December 2010, the Beijing Arbitration Commission concluded that New Industry should repay the Company the costs of the entrusted Minzu Securities shares of RMB170 million plus interest. On 9 November 2012, the Shenzhen Municipal Court accepted the conclusion of the arbitration and adjudicated that the Company has to repay Orient Group the principal of RMB170 million plus interest. Accordingly, the Company signed a tripartite agreement with New Industry and Orient Group at the end of 2012. According to the agreement, New Industry paid interest of RMB112 million to the Company in 2013, and agreed to repay the principal of RMB170 million plus further accrued interest due to the Company by January 2015. New Industry has pledged its shares in Minzu Securities as collateral. The Company paid Orient Group the principal of RMB170 million plus interest of RMB112 million in 2013. According to the information available to the Company, the Company believed the RMB170 million to be repaid by New Industry should form part of the receivables of the Former Chairman Irregularities.

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

According to the agreement, New Industry should pay the principal of RMB170 million plus further accrued interest to the Company by January 2015. However, as at the date when these consolidated financial statements were approved by the Board of Directors, the Company has not received any payment. On 5 March 2015, the Company obtained the commitment letter from New Industry, which promises to settle the above amount before 30 April 2015.

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

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. Up to the date when these consolidated financial statements were approved for issue by Board of Directors, the Company has not covered any amount from Tianhuan Real Estate.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (continued)

#### (6) Former Chairman Irregularities (Continued)

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB1,101 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB931 million was made as at 31 December 2014 (as at 31 December 2013: RMB931 million).

#### (7) Taxation

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

#### (8) Change of significant accounting estimates

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption.

These assumptions are determined by the Group on basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the balance sheet date. For the year ended 31 December 2014, changes in assumption are impact of change in discount rate, expense assumption and lapse rate. Variations of related insurance contracts reserves due to such change are recognized in the consolidated statement of comprehensive income. For the year ended 31 December 2014, long-term insurance contract liabilities increased by RMB1,165 million, and profit before income tax decreased by RMB1,165 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by Board of Directors of the Company on 25 March 2015.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT

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

#### (1) Insurance risk

##### (a) Types of insurance risk

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (b) Concentration of insurance risk

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

As at/for the year ended 31 December 2014							
Product Name		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
		Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating)	(i)	103,764	21.69%	12,145	11.34%	14,293	22.01%
Hongshuangxi Type A endowment insurance (Participating)	(ii)	35,526	7.43%	457	0.43%	12,345	19.01%
Zunxiang Rensheng annuity insurance (Participating)	(iii)	26,854	5.61%	8,056	7.52%	1,756	2.70%
Hongshuangxi Jinqiangui annuity insurance (Participating)	(iv)	24,483	5.12%	4,673	4.36%	3,518	5.42%
Huifubao endowment insurance	(v)	22,052	4.61%	19,641	18.33%	12,047	18.55%
Others		265,727	55.54%	62,156	58.02%	20,984	32.31%
<b>Total</b>		<b>478,406</b>	<b>100.00%</b>	<b>107,128</b>	<b>100.00%</b>	<b>64,943</b>	<b>100%</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

##### (b) Concentration of insurance risk (Continued)

As at/for the year ended 31 December 2013						
Product Name	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	99,620	23.42%	20,379	20.18%	6,882	18.68%
Hongshuangxi Type A endowment insurance (Participating) (ii)	45,242	10.64%	1,169	1.16%	7,601	20.63%
Zunxiang Rensheng annuity insurance (Participating) (iii)	19,655	4.62%	7,938	7.86%	978	2.65%
Hongshuangxi Jinqiangui annuity insurance (Participating) (iv)	22,036	5.18%	6,241	6.18%	798	2.17%
Huifubao endowment insurance (v)	13,352	3.14%	13,317	13.19%	7	0.02%
Others	225,489	53.00%	51,956	51.43%	20,579	55.85%
<b>Total</b>	<b>425,394</b>	<b>100.00%</b>	<b>101,000</b>	<b>100.00%</b>	<b>36,845</b>	<b>100.00%</b>

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (b) Concentration of insurance risk (Continued)

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

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

##### (iii) Zunxiang Rensheng Annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires when the insured is at the age of 80. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefits are 9% of the base insured amount at the effective date of the policy. If the insured lives on every effective date of the insurance policy from the 60-year-old policy anniversary date to 80-year-old policy anniversary date, the survival benefits are 9% of the insured amount at the effective date of the policy. For death and complete disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For death and complete disability if the policy holder is between 18 and 60 due to accident, the insured is exempt from the renewal of insurance premium from the date of the death.

##### (iv) Hongshuangxi Jinqiangui Annuity insurance (Participating)

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

##### (b) Concentration of insurance risk (Continued)

###### (v) Huifubao endowment insurance

Huifubao endowment insurance is traditional endowment insurance with single premium payment with a duration of 5 years. For death or complete disability due to illness within the 1st year within the age of 18, the max of premium insured or cash value is refunded; for death or complete disability due to illness within 1st after the age of 18, 105% of basic sum insured is refunded. For death or complete disability due to illness after one year after the age of 18, the max of premium or cash value is refunded; for death or complete disability due to illness after one year after the age of 18, basic sum insured is refunded. For death or complete disability due to particular transportation accident, if the insured is within the age of 18, the max of premium insured or cash value is refunded; if the insured is after the age of 18, 200% of basic sum insured is refunded. For death or complete disability due to general accidental harm, if the insured is within the age of 18, the max of premium insured or cash value is refunded; if the insured is after the age of 18, 150% of basic sum insured is refunded.

##### (c) Sensitivity analysis

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

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

	For the year ended 31 December	
	2014	2013
<b>Change in discount rates</b>		
+50 basis points ("bps")	9,194	8,125
-50bps	(10,030)	(8,752)
	For the year ended 31 December	
	2014	2013
<b>Change in mortality and morbidity rates</b>		
+10%	(2,178)	(1,803)
-10%	2,249	1,947

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (c) Sensitivity analysis (Continued)

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

	For the year ended 31 December	
	2014	2013
<b>Change in lapse rates</b>		
+10%	(2,463)	(1,982)
-10%	2,662	2,123

	For the year ended 31 December	
	2014	2013
<b>Change in expenses</b>		
+10%	(1,380)	(1,104)
-10%	1,379	1,167

Key assumptions are disclosed in Note 14.

##### (ii) Sensitivity analysis of short-term insurance contracts

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

All other variables being constant, if the loss ratio increases or decreases 100bps, estimated profit before income tax would decrease or increase by RMB19 million for the year ended 31 December 2014 (for the year ended 31 December 2013: RMB16 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

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

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

Cumulative claims	Accident year					Total
	2010	2011	2012	2013	2014	
End of current year	766	919	1,122	1,276	1,272	5,355
1 year later	781	933	1,128	1,265	–	4,107
2 years later	781	921	1,112	–	–	2,814
3 years later	781	921	–	–	–	1,702
4 years later	781	–	–	–	–	781
Estimated claims expenses	781	921	1,112	1,265	1,272	5,351
Less: cumulative claims paid	(781)	(921)	(1,112)	(1,227)	(774)	(4,815)
Subtotal	–	–	–	38	498	536
Add: claims handling expenses	–	–	–	2	24	26
Unpaid claims expenses	–	–	–	40	522	562

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

Cumulative claims	Accident year					Total
	2010	2011	2012	2013	2014	
End of current year	711	861	1,058	1,186	1,166	4,982
1 year later	721	885	1,067	1,157	–	3,830
2 years later	720	871	1,047	–	–	2,638
3 years later	720	871	–	–	–	1,591
4 years later	720	–	–	–	–	720
Estimated claims expenses	720	871	1,047	1,157	1,166	4,961
Less: cumulative claims paid	(720)	(871)	(1,047)	(1,120)	(702)	(4,460)
Subtotal	–	–	–	37	464	501
Add: claims handling expenses	–	–	–	2	24	26
Unpaid claims expenses	–	–	–	39	488	527

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk

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

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

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

#### (a) Market risk

##### (i) Interest rate risk

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (a) Market risk (Continued)

##### (i) Interest rate risk (Continued)

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

	Impact on profit before income tax	
	For the year ended 31 December	
Change in market interest rates	2014	2013
+50bps	(6)	(11)
-50bps	6	11

	Impact on reserves (before income tax)	
	For the year ended 31 December	
Change in market interest rates	2014	2013
+50bps	(531)	(565)
-50bps	552	575

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (a) Market risk (Continued)

##### (ii) Price risk

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

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

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

	Impact on profit before income tax	
	For the year ended 31 December	
Change in equity securities' prices	2014	2013
+10%	80	32
-10%	(80)	(32)

	Impact on reserves (before income tax)	
	For the year ended 31 December	
Change in equity securities' prices	2014	2013
+10%	2,136	1,199
-10%	(2,136)	(1,199)

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (a) Market risk (Continued)

##### (iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group operates principally in Mainland China with limited exposure to foreign exchange rate risk arising primarily with respect to financial assets denominated in United States dollar or Hong Kong dollar.

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

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

31 December 2013	USD	HKD	Total
Cash and cash equivalents	2,110	286	2,396
Term deposits	6,854	180	7,034
Accrued investment income	71	1	72
Securities at fair value through profit or loss	–	127	127
Available-for-sale securities	115	982	1,097
<b>Total</b>	<b>9,150</b>	<b>1,576</b>	<b>10,726</b>

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

For the year ended 31 December 2014, if RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB1,147 million (for the year ended 31 December 2013: RMB1,073 million), mainly as a result of foreign exchange losses or gains from the translation of USD and HK dollar denominated financial assets other than equity securities.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as monitoring measure in order to ensure the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2014: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and risky assets were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore the Group's overall exposure to credit risk is relatively low.

#### *Credit risk exposure*

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

#### *Collateral and other credit enhancements*

Financial assets purchased under agreements to resell are pledged by counterparties' debt securities of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, or use the budgeted financial income of the central government as the source of funding for repayment.

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (b) Credit risk (Continued)

###### *Credit quality*

The Group's debt securities include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Proportion	As at 31 December	
	2014	2013
Financial institution bonds having credit rating of AA/A-2 or above	100%	100%
Corporate bonds having credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having credit rating of AA/A-2 or above, or issued by national banks or insurance companies	100%	100%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	91.48%	92.87%

##### (c) Liquidity risk

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (c) Liquidity risk (Continued)

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (c) Liquidity risk (Continued)

As at 31 December 2013	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
<b>Financial and insurance assets</b>						
Debt securities	305,658	–	22,678	39,074	66,127	286,874
Equity securities	40,708	40,708	–	–	–	–
Term deposits	163,137	–	11,351	123,206	50,189	–
Statutory deposits	716	–	482	266	–	–
Policy loans	8,841	–	8,841	–	–	–
Financial assets purchased under agreements to resell	1,336	–	1,337	–	–	–
Accrued investment income	9,849	–	9,606	125	118	–
Premiums receivables	1,581	–	1,581	–	–	–
Reinsurance assets	2,954	–	332	1,503	109	306
Cash and cash equivalents	18,570	–	18,570	–	–	–
<b>Total financial and insurance assets</b>	<b>553,350</b>	<b>40,708</b>	<b>74,778</b>	<b>164,174</b>	<b>116,543</b>	<b>287,180</b>
<b>Financial and insurance liabilities</b>						
Long-term insurance contracts	(425,394)	–	21,700	(18,659)	(49,735)	(971,282)
Short-term insurance contracts	(1,487)	–	(1,001)	–	–	–
Investment contracts	(25,933)	–	(1,134)	(6,190)	(5,045)	(41,298)
Borrowings	(15,000)	–	(745)	(6,490)	(10,460)	–
Financial assets sold under agreements to repurchase	(52,211)	–	(52,275)	–	–	–
Benefits, claims and surrenders payable	(959)	–	(959)	–	–	–
Reinsurance liabilities	(54)	–	(54)	–	–	–
<b>Total financial and insurance liabilities</b>	<b>(521,038)</b>	<b>–</b>	<b>(34,468)</b>	<b>(31,339)</b>	<b>(65,240)</b>	<b>(1,012,580)</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (c) Liquidity risk (Continued)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB28,099 million as at 31 December 2014, payable within one year (as at 31 December 2013: RMB25,825 million).

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

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

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

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

Category of investment	Classification of investment	Carrying amount	Types of income	Amount of income
Trust products	Available-for-sale securities	59,505	Interest income	3,393
Debt investment plans	Loans and receivables	24,823	Interest income	1,009
Equity investment plans	Investments in associates	8,768	Dividend income	507
Asset funding plans	Loans and receivables	20,000	Dividend income	1,373

##### (e) *Matching risk of assets and liabilities*

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (f) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the CIRC, are to comply with the insurance capital requirements of the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company managed its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business mix, the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

The table below summarizes the solvency ratio of the Company, the actual capital held against the minimum required capital:

	As at 31 December	
	2014	2013
Actual capital	51,541	34,782
Minimum capital	22,753	20,502
Solvency margin ratio	226.53%	169.66%

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with a solvency margin ratio less than 100% and may, depending on individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with a solvency margin ratio between 100% and 150% would be required to submit and implement plans to prevent capital inadequacy. Insurance companies with a solvency margin ratio above 100% but with significant solvency risk noticed would be required to take the necessary rectification action.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy

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

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

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

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt securities for which quotations are available from pricing service providers. Fair values provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (3) Fair value hierarchy (Continued)

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as at December 31, 2014. The disclosure below excludes financial instruments for which the fair value approximates the carrying amount. This is the case because of the short term nature of certain trust products, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value since inception in 2014.

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
<b>Available-for-sale securities</b>					
Trust products	59,505	Discounted cash flow	Discount rate	5.72%~10.50%	The higher the discount rate, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2014 and 2013:

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (3) Fair value hierarchy (Continued)

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

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
<b>As at 31 December 2013</b>				
<b>Assets</b>				
Available-for-sale securities				
– Equity securities	29,183	2,263	–	31,446
– Debt securities	3,574	57,135	35,740	96,449
Securities at fair value through profit or loss				
Held for trading				
– Equity securities	605	7	–	612
– Debt securities	946	754	–	1,700
Designated as at fair value through profit or loss				
– Equity securities	–	127	–	127
<b>Total</b>	<b>34,308</b>	<b>60,286</b>	<b>35,740</b>	<b>130,334</b>
<b>Liabilities</b>				
Unit-linked contracts	–	232	–	232
<b>Total</b>	<b>–</b>	<b>232</b>	<b>–</b>	<b>232</b>

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

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

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2013 and 2014.

For the year ended 31 December 2014	Level 1	Level 2
Available-for-sale securities		
Equity securities		
– Transfer in	26	539
– Transfer out	(539)	(26)
Debt securities		
– Transfer in	924	2,466
– Transfer out	(2,466)	(924)
Securities at fair value through profit or loss		
Held for trading		
Equity securities		
– Transfer in	–	19
– Transfer out	(19)	–
For the year ended 31 December 2013	Level 1	Level 2
Available-for-sale securities		
Equity securities		
– Transfer in	64	77
– Transfer out	(77)	(64)
Debt securities		
– Transfer in	1,853	465
– Transfer out	(465)	(1,853)
Securities at fair value through profit or loss		
Held for trading		
Equity securities		
– Transfer in	–	6
– Transfer out	(6)	–

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (3) Fair value hierarchy (Continued)

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

Securities for which the Group could obtain quoted prices (unadjusted) in active markets as at 31 December 2014 but could not obtain quoted prices (unadjusted) in active markets as at 31 December 2013, they were transferred to Level 1 from Level 2. Securities for which the Group couldn't obtain quoted prices (unadjusted) in active markets as at 31 December 2014 but could obtain quoted prices (unadjusted) in active markets as at 31 December 2013 were transferred to Level 2 from Level 1.

There were no transfers into or out of Level 3 for the years ended 31 December 2014 and 2013.

The changes in Level 3 financial assets are analysed below:

	Available-for-sale			At fair value through profit or loss	Total
	Debt securities	Equity securities	Subtotal	Designated as at fair value through profit or loss	
1 January 2013	–	583	583	–	583
Purchase	–	66,184	66,184	–	66,184
Maturity	–	(31,027)	(31,027)	–	(31,027)
31 December 2013	–	35,740	35,740	–	35,740
1 January 2014	–	35,740	35,740	–	35,740
Purchase	174	49,315	49,489	2,588	52,077
Maturity	–	(24,351)	(24,351)	–	(24,351)
Total losses recorded in other comprehensive income	–	–	–	–	–
<b>31 December 2014</b>	<b>174</b>	<b>60,704</b>	<b>60,878</b>	<b>2,588</b>	<b>63,466</b>

There is no material gains or losses recognized in comprehensive income for the year ended 31 December 2014 that are attributable to level 3 financial assets held by the Group as at 31 December 2014 (as at 31 December 2013: Nil).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (b) Assets and liabilities for which disclosed at fair value

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

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

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2014 and 31 December 2013:

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

As at 31 December 2013	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Held-to-maturity	15,119	151,610	–	166,729
Loans and receivables	–	11	24,390	24,401
Investment properties	–	–	2,599	2,599
<b>Total</b>	<b>15,119</b>	<b>151,621</b>	<b>26,989</b>	<b>193,729</b>
<b>Liabilities</b>				
Borrowings	–	(14,386)	–	(14,386)
<b>Total</b>	<b>–</b>	<b>(14,386)</b>	<b>–</b>	<b>(14,386)</b>

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION

### (1) Operating segments

The Group mainly has the following three segments:

#### (i) Individual insurance business

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

#### (ii) Group insurance business

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

#### (iii) Other business

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

### (2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment 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 transaction with third parties.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2014				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	108,581	1,486	–	–	110,067
Less: premiums ceded out	(274)	(130)	–	–	(404)
<b>Net written premiums and policy fees</b>	108,307	1,356	–	–	109,663
Net change in unearned premiums liabilities	(146)	(47)	–	–	(193)
<b>Net premiums earned and policy fees</b>	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)	–
<b>Total revenues</b>	139,597	1,813	1,132	(448)	142,094
<b>Benefits, claims and expenses</b>					
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	–
<b>Total benefits, claims and expenses</b>	(130,257)	(2,147)	(689)	413	(132,680)
Share of results of associates	532	8	(1)	–	539
Finance cost	(2,089)	(82)	–	–	(2,171)
<b>Net profit before income tax</b>	7,783	(408)	442	(35)	7,782
Income tax	–	–	(1,375)	–	(1,375)
<b>Net profit for the year</b>	7,783	(408)	(933)	(35)	6,407
<b>Segment assets</b>	622,607	6,634	14,582	(114)	643,709
<b>Segment liabilities</b>	568,095	6,300	21,064	(114)	595,345

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2014:

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2013				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	102,610	1,463	–	–	104,073
Less: premiums ceded out	(145)	(148)	–	–	(293)
<b>Net written premiums and policy fees</b>	102,465	1,315	–	–	103,780
Net change in unearned premiums liabilities	(118)	(47)	–	–	(165)
<b>Net premiums earned and policy fees</b>	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)	–
<b>Total revenues</b>	126,349	1,759	355	(246)	128,217
<b>Benefits, claims and expenses</b>					
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)
<b>Total benefits, claims and expenses</b>	(119,604)	(1,845)	(449)	246	(121,652)
Share of results of associates	284	6	74	–	364
Finance cost	(1,889)	(81)	–	–	(1,970)
<b>Net profit before income tax</b>	5,140	(161)	(20)	–	4,959
Income tax	–	–	(535)	–	(535)
<b>Net profit for the year</b>	5,140	(161)	(555)	–	4,424
<b>Segment assets</b>	544,376	6,434	15,060	(21)	565,849
<b>Segment liabilities</b>	502,451	6,047	18,054	(21)	526,531

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

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

### 6 PROPERTY, PLANT AND EQUIPMENT

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2013	3,745	815	170	337	5,067
Additions	–	169	19	383	571
Transfer upon completion	87	4	–	(91)	–
Disposals	(3)	(57)	(12)	–	(72)
As at 31 December 2013	3,829	931	177	629	5,566
<b>Accumulated depreciation</b>					
As at 1 January 2013	(419)	(472)	(50)	–	(941)
Charges for the year	(90)	(110)	(14)	–	(214)
Disposals	–	53	7	–	60
As at 31 December 2013	(509)	(529)	(57)	–	(1,095)
<b>Net book value</b>					
As at 1 January 2013	3,326	343	120	337	4,126
As at 31 December 2013	3,320	402	120	629	4,471

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2014	3,644	830	174	441	5,089
Additions	–	155	18	1,223	1,396
Transfers upon completion	461	18	–	(479)	–
Transfer to investment properties	(78)	–	–	(51)	(129)
Disposals	(493)	(55)	(14)	–	(562)
As at 31 December 2014	3,534	948	178	1,134	5,794
<b>Accumulated depreciation</b>					
As at 1 January 2014	(483)	(507)	(57)	–	(1,047)
Charges for the year	(88)	(108)	(12)	–	(208)
Transfer to investment properties	16	–	–	–	16
Disposals	183	44	8	–	235
As at 31 December 2014	(372)	(571)	(61)	–	(1,004)
<b>Net book value</b>					
As at 1 January 2014	3,161	323	117	441	4,042
As at 31 December 2014	3,162	377	117	1,134	4,790

Company	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2013	3,560	761	168	163	4,652
Additions	–	120	18	369	507
Transfer upon completion	87	4	–	(91)	–
Disposals	(3)	(55)	(12)	–	(70)
As at 31 December 2013	3,644	830	174	441	5,089
<b>Accumulated depreciation</b>					
As at 1 January 2013	(397)	(458)	(50)	–	(905)
Charges for the year	(86)	(100)	(14)	–	(200)
Disposals	–	51	7	–	58
As at 31 December 2013	(483)	(507)	(57)	–	(1,047)
<b>Net book value</b>					
As at 1 January 2013	3,163	303	118	163	3,747
As at 31 December 2013	3,161	323	117	441	4,042

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book value of approximately RMB57 million as at 31 December 2014 (as at 31 December 2013: RMB158 million).

### 7 INVESTMENT PROPERTIES

Group and Company	For the year ended 31 December	
	2014	2013
<b>Cost</b>		
Beginning of the year	1,711	1,711
Transfers from property, plant and equipment (Note 6)	129	–
End of the year	1,840	1,711
<b>Accumulated depreciation</b>		
Beginning of the year	(117)	(76)
Transfers from property, plant and equipment (Note 6)	(16)	–
Charges for the year	(42)	(41)
End of the year	(175)	(117)
<b>Net book value</b>		
Beginning of the year	1,594	1,635
End of the year	1,665	1,594

Rental income from investment properties is recognized in "Other income" (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as at 31 December 2014 was RMB2,843 million (as at 31 December 2013: RMB2,599 million).

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book value of approximately RMB3 million as at 31 December 2014 (as at 31 December 2013: Nil). Since the buildings mentioned above were purchased in December 2014, the Group has not obtained legal title in respect of the ownership.

The techniques used for the valuation of investment properties include income approach and sales comparison approach. The fair value of investment properties is categorized with level 3. Investment properties' fair value within level 3 is RMB2,843 million.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 7 INVESTMENT PROPERTIES (Continued)

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

	Fair value at 31 December 2014	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Beijing	1,210	Income approach	Rental value	RMB10-10.89 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield	5.6%-7.7%	The higher the market yield, the lower the fair value.
Rental units- Shenzhen	378	Income approach	Rental value	RMB40,000-45,000 per square meter	The higher the rental value, the higher the fair value.
Rental units- Fuzhou	25	Income approach	Rental value	RMB2.2-2.5 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield	5.4%-6.7%	The higher the market yield, the lower the fair value.
Rental units- Shanghai	1,180	Income approach	Rental value	Office RMB58,600-74,400 per square meter	The higher the rental value, the higher the fair value.
				Commercial RMB81,250-100,900 per square meter	
				Garage RMB1,000-1,600 per unit per month	
		Market yield	3.5%-4.5%	The higher the market yield, the lower the fair value.	
Rental units-Shandong	3	Income approach	Rental value	RMB1.0-1.4 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield	4.3%-6.4%	The higher the market yield, the lower the fair value.
Rental units-Inner Mongolia	47	Income approach	Rental value	RMB1.8-2.0 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield	6.2%-8.0%	The higher the market yield, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 8 INTANGIBLE ASSETS

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

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

Group	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2013	273	–	273
Additions	100	1,352	1,452
As at 31 December 2013	373	1,352	1,725
<b>Accumulated amortization</b>			
As at 1 January 2013	(171)	–	(171)
Amortization	(31)	(11)	(42)
As at 31 December 2013	(202)	(11)	(213)
<b>Net book value</b>			
As at 1 January 2013	102	–	102
As at 31 December 2013	171	1,341	1,512

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 8 INTANGIBLE ASSETS (Continued)

Company	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2014	355	1,352	1,707
Additions	56	41	97
As at 31 December 2014	411	1,393	1,804
<b>Accumulated amortization</b>			
As at 1 January 2014	(199)	(11)	(210)
Amortization	(46)	(35)	(81)
As at 31 December 2014	(245)	(46)	(291)
<b>Net book value</b>			
As at 1 January 2014	156	1,341	1,497
As at 31 December 2014	166	1,347	1,513

Company	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2013	262	–	262
Additions	93	1,352	1,445
As at 31 December 2013	355	1,352	1,707
<b>Accumulated amortization</b>			
As at 1 January 2013	(169)	–	(169)
Amortization	(30)	(11)	(41)
As at 31 December 2013	(199)	(11)	(210)
<b>Net book value</b>			
As at 1 January 2013	93	–	93
As at 31 December 2013	156	1,341	1,497

The Group was in the process of obtaining legal title in respect of the ownership of land use rights with aggregate net book value of approximately RMB1,347 million as at 31 December 2014 (as at 31 December 2013: RMB1,341 million). Since the Group was not permitted to construct on the land mentioned above, The Group has not obtained legal title in respect of the ownership of land use rights.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 9 INVESTMENTS IN ASSOCIATES

Group	For the year ended 31 December	
	2014	2013 (Restated)
Beginning of the year	9,404	708
Additions	470	8,600
Share of profit	539	364
Cash dividend from investments in associates	(268)	(268)
Share of other comprehensive income	5	–
End of the year	10,150	9,404

Company	For the year ended 31 December	
	2014	2013 (Restated)
Beginning of the year	9,404	708
Additions	470	8,600
Share of profit	539	364
Cash dividend from investments in associates	(268)	(268)
Share of other comprehensive income	5	–
End of the year	10,150	9,404

The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 9 INVESTMENTS IN ASSOCIATES (Continued)

Details of investments in associates:

Name of entity	Country of incorporation	Particulars of issued shares held	Interest held	Principal activities	Measurement method
Petro China Oil Pipeline Project Equity Investment Plan	Not Applicable (N/A)	RMB36,000 million	23.6%	Equity investment	Equity
Minshengtonghui-Alibaba No.1 Asset Funding Plan	N/A	RMB216 million	46.3%	Microfinance services	Equity
Minshengtonghui-Alibaba No.2 Asset Funding Plan	N/A	RMB1,000 million	47%	Microfinance services	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (1)	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity

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

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

The above investments in associates are non-public entities or structured entities, and there is no quoted market price available.

All investments in associates are directly held by the Company. The English names of the associates represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

Petro China Oil Pipeline Project Equity Investment Plan, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the equity investment and is accounted for using the equity method in both the Group's consolidated financial statements and the Company's separate financial statements. This investment is not strategic to the Group's activities.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 9 INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarized financial information in respect of Petro China Oil Pipeline Project Equity Investment Plan adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2014	2013
Current assets	5	5
Non-current assets	37,206	36,054
Total assets	37,211	36,059
Current liabilities	24	2
Total liabilities	24	2
Equity attributable to shareholders of the company	37,187	36,057
Group's share of net assets of the associates	8,776	8,509
Adjustment	(8)	14
Carrying amount of the investment	8,768	8,523
Revenues	2,322	1,224
Profit for the year	2,245	1,178
Total comprehensive income for the year	2,245	1,178
Dividend received	262	264

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

	For the year ended 31 December	
	2014	2013
Aggregate carrying amount of the Group's investments in the associates	1,382	881
Total of Group's share of the following items of the associates	37	77
Profit for the year	64	341
Other comprehensive income	20	–
Total comprehensive income for the year	84	341

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS

### (1) Held-to-maturity securities

<b>Group and Company</b>	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Debt securities		
Government bonds	45,891	46,063
Financial bonds	26,659	26,779
Corporate bonds	44,301	51,025
Subordinated bonds	59,146	59,141
Total	175,997	183,008
Debt securities		
Listed	25,131	33,395
Unlisted	150,866	149,613
Total	175,997	183,008

The fair value of the held-to-maturity securities as at 31 December 2014 is RMB177,816 million (as at 31 December 2013: RMB166,729 million).

The fair value of listed held-to-maturity securities was RMB25,298 million as at 31 December 2014 (as at 31 December 2013: RMB31,323 million).

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

The due dates of debt securities which are classified as held-to-maturity securities are as follows:

<b>Maturity</b>	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Within 1 year (including 1 year)	2,488	8,868
After 1 year but within 3 years (including 3 years)	8,134	3,909
After 3 years but within 5 years (including 5 years)	27,729	19,077
After 5 years	137,646	151,154
Total	175,997	183,008

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (2) Available-for-sale securities

Group	As at 31 December 2014	As at 31 December 2013
Debt securities		
Government bonds	41	1,111
Financial bonds	2,581	8,191
Corporate bonds	35,480	31,732
Subordinated bonds	18,684	19,675
Trust products	59,475	25,641
Wealth investment products	1,149	10,019
Asset management products	80	80
Subtotal	117,490	96,449
Equity securities		
Funds	20,572	12,688
Stock	33,288	18,758
Preferred stock	199	–
Asset management products	3,413	–
Private equity	366	–
Trust products	30	–
Wealth investment products	144	–
Subtotal	58,012	31,446
Total	175,502	127,895
Debt securities		
Listed	9,333	8,482
Unlisted	108,157	87,967
Subtotal	117,490	96,449
Equity securities		
Listed	37,095	20,747
Unlisted	20,917	10,699
Subtotal	58,012	31,446
Total	175,502	127,895

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

Maturity	As at 31 December 2014	As at 31 December 2013
Within 1 year (including 1 year)	32,201	18,271
After 1 year but within 3 years (including 3 years)	18,384	25,214
After 3 years but within 5 years (including 5 years)	32,023	13,791
After 5 years	34,882	39,173
Total	117,490	96,449

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (2) Available-for-sale securities (Continued)

Company	As at 31 December 2014	As at 31 December 2013
Debt securities		
Government bonds	41	1,111
Financial bonds	2,581	8,191
Corporate bonds	35,480	31,732
Subordinated bonds	18,684	19,675
Trust products	59,426	25,641
Wealth investment products	1,000	10,000
Asset management products	80	80
Subtotal	117,292	96,430
Equity securities		
Funds	20,421	12,688
Stocks	33,288	18,758
Preferred stock	199	-
Asset management products	3,413	-
Private equity	366	-
Subtotal	57,687	31,446
Total	174,979	127,876
Debt securities		
Listed	9,333	8,482
Unlisted	107,959	87,948
Subtotal	117,292	96,430
Equity securities		
Listed	37,089	20,747
Unlisted	20,598	10,699
Subtotal	57,687	31,446
Total	174,979	127,876

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

Maturity	As at 31 December 2014	As at 31 December 2013
Within 1 year (including 1 year)	32,003	18,252
After 1 year but within 3 years (including 3 years)	18,384	25,214
After 3 years but within 5 years (including 5 years)	32,023	13,791
After 5 years	34,882	39,173
Total	117,292	96,430

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (3) Securities at fair value through profit or loss

Group	As at 31 December 2014	As at 31 December 2013
Held for trading		
Debt securities		
Financial bonds	–	301
Corporate bonds	3,289	1,015
Subordinated bonds	409	384
Debt securities subtotal	3,698	1,700
Equity securities		
Funds	1,737	379
Stocks	526	233
Equity securities subtotal	2,263	612
Subtotal	5,961	2,312
Designated as at fair value through profit or loss		
Equity securities		
Preferred stock	128	127
Equity securities subtotal	128	127
Debt securities		
Asset management products	2,588	–
Debt securities subtotal	2,588	–
Subtotal	2,716	127
Total	8,677	2,439
Debt securities		
Listed	286	946
Unlisted	6,000	754
Subtotal	6,286	1,700
Equity securities		
Listed	706	391
Unlisted	1,685	348
Subtotal	2,391	739
Total	8,677	2,439

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (3) Securities at fair value through profit or loss (Continued)

Company	As at 31 December 2014	As at 31 December 2013
Held for trading		
Debt securities		
Financial bonds	–	262
Corporate bonds	3,251	1,015
Subordinated bonds	409	384
Debt securities subtotal	3,660	1,661
Equity securities		
Funds	1,720	369
Stocks	526	233
Equity securities subtotal	2,246	602
Subtotal	5,906	2,263
Designated as at fair value through profit or loss		
Equity securities		
Preferred stock	128	127
Equity securities subtotal	128	127
Debt securities		
Asset management products	2,588	–
Debt securities subtotal	2,588	–
Subtotal	2,716	127
Total	8,622	2,390
Debt securities		
Listed	248	946
Unlisted	6,000	715
Subtotal	6,248	1,661
Equity securities		
Listed	689	391
Unlisted	1,685	338
Subtotal	2,374	729
Total	8,622	2,390

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (4) Loans and receivables

Group	As at 31 December 2014	As at 31 December 2013
Government bonds	12	11
Asset funding plan (i)	20,000	20,000
Debt investment plan (ii)	24,823	4,380
Subordinated debt	910	10
Total	45,745	24,401

Company	As at 31 December 2014	As at 31 December 2013
Debt investment plan (ii)	24,823	4,380
Subordinated debt	910	10
Total	25,733	4,390

- (i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”) and New China Life – Huarong No.1 Asset Funding Plan (“Huarong No.1 Funding Plan”).

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the Funding Plan, are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 7-year funding plan, China Huarong Asset Management Co. (“Huarong Asset”) should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset which were verified by the plan manager of the Funding Plan are co-managed by Huarong Asset, the Trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan.

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (5) Term deposits

The due dates of the term deposits are as follows:

Group	As at 31 December 2014	As at 31 December 2013
Maturity		
Within 1 year (including 1 year)	44,066	8,046
After 1 year but within 3 years (including 3 years)	114,031	108,063
After 3 years but within 5 years (including 5 years)	9,200	47,028
Total	167,297	163,137
	As at 31 December 2014	As at 31 December 2013
Company		
Maturity		
Within 1 year (including 1 year)	43,907	8,046
After 1 year but within 3 years (including 3 years)	113,990	107,863
After 3 years but within 5 years (including 5 years)	8,900	47,028
Total	166,797	162,937

As at 31 December 2014, none of the Group's term deposits are restricted deposits for special dividends (Note 19(1)) (as at 31 December 2013: RMB833 million).

### (6) Statutory deposits

The due dates of the statutory deposits are as follows:

Group	As at 31 December 2014	As at 31 December 2013
Maturity		
Within 1 year (including 1 year)	475	475
After 1 year but within 3 years (including 3 years)	241	241
Total	716	716
	As at 31 December 2014	As at 31 December 2013
Company		
Maturity		
Within 1 year (including 1 year)	475	475
After 1 year but within 3 years (including 3 years)	240	240
Total	715	715

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (7) Accrued investment income

Group	As at 31 December 2014	As at 31 December 2013
Bank deposits	5,594	5,350
Debt securities	4,718	4,301
Other	332	198
<b>Total</b>	<b>10,644</b>	<b>9,849</b>
Current	10,276	9,606
Non-current	368	243
<b>Total</b>	<b>10,644</b>	<b>9,849</b>

Company	As at 31 December 2014	As at 31 December 2013
Bank deposits	5,576	5,345
Debt securities	4,387	3,965
Other	662	675
<b>Total</b>	<b>10,625</b>	<b>9,985</b>
Current	10,257	9,742
Non-current	368	243
<b>Total</b>	<b>10,625</b>	<b>9,985</b>

### 11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

### 12 REINSURANCE ASSETS

Group and Company	As at 31 December 2014	As at 31 December 2013
Claims and claims adjustment expenses ceded (Note 14)	35	23
Unearned premiums liabilities ceded (Note 14)	51	79
Long-term insurance contracts ceded (Note 14)	2,854	2,760
Due from reinsurance companies	80	92
<b>Total</b>	<b>3,020</b>	<b>2,954</b>
Current	240	216
Non-current	2,780	2,738
<b>Total</b>	<b>3,020</b>	<b>2,954</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 13 OTHER ASSETS

#### Group

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

	As at 31 December 2013		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,495	–	1,495
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	1,101	(931)	170
Prepaid and deferred expenses	509	–	509
Investment clearing account (2)	524	–	524
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Litigation deposit (3)	3	–	3
Others	409	(9)	400
<b>Total</b>	<b>4,123</b>	<b>(1,022)</b>	<b>3,101</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 13 OTHER ASSETS (Continued)

#### Company

	As at 31 December 2014		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	2,218	–	2,218
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	1,101	(931)	170
Receivables from subsidiaries (Note 33(3))	662	–	662
Prepaid and deferred expenses	438	–	438
Investment clearing account (2)	41	–	41
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Litigation deposit (3)	4	–	4
Others	558	(9)	549
<b>Total</b>	<b>5,104</b>	<b>(1,022)</b>	<b>4,082</b>

	As at 31 December 2013		
	Book value balance	Provision for impairment	Net book value
Prepaid taxes (1)	1,495	–	1,495
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	1,101	(931)	170
Receivables from subsidiaries (Note 33(3))	554	–	554
Prepaid and deferred expenses	438	–	438
Investment clearing account (2)	509	–	509
Prepayment for Heilongjiang branch's office building (4)	37	(37)	–
Prepayment for Taizhou and Yongzhou cases (5)	17	(17)	–
Entrusted fund receivable from liquidation group of Minfa Securities (6)	16	(16)	–
Receivable from Huaxinrong Company (7)	12	(12)	–
Litigation deposit (3)	3	–	3
Others	365	(9)	356
<b>Total</b>	<b>4,547</b>	<b>(1,022)</b>	<b>3,525</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 13 OTHER ASSETS (Continued)

Group	As at 31 December 2014	As at 31 December 2013
Current	3,801	2,663
Non-current	450	438
Total	4,251	3,101

Company	As at 31 December 2014	As at 31 December 2013
Current	3,723	3,158
Non-current	359	367
Total	4,082	3,525

### (1) Prepaid taxes

Prepaid taxes are prepaid business taxes and surcharges related to the Group's insurance and investment activities. They will be refunded to the Group or can be used as credits to offset future tax obligations upon the tax bureau's approval.

### (2) Investment clearing account

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

### (3) Litigation deposit

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

### (4) Prepayment for Heilongjiang branch office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Because the recipient of the payment is not a party of the contract, as at the date of this report, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

## Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)*

### 13 OTHER ASSETS (Continued)

#### (5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable amounting to RMB162 million were written off.

As of 31 December 2014, the Company assessed that it might still be able to recover RMB17 million but made a full provision against the amount due to uncertainty.

#### (6) Entrusted fund receivable from liquidation group of Minfa Securities

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

#### (7) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 14 INSURANCE CONTRACT LIABILITIES

### (1) Process used to determine assumptions

#### (a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates with risk margins of the Group as at 31 December 2014 and 31 December 2013 are as follows:

	<b>Discount rate assumption</b>
31 December 2014	4.75%~5.23%
31 December 2013	4.75%~5.23%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, with consideration of liquidity spreads, taxation impacts and other relevant factors. The expected discount rates of the Group as at 31 December 2014 and 31 December 2013 are as follows:

	<b>Discount rate assumption</b>
31 December 2014	3.67%~6.11%
31 December 2013	3.67%~5.94%

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (1) Process used to determine assumptions (Continued)

##### (b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is the epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006-2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 14 INSURANCE CONTRACT LIABILITIES (Continued)

### (1) Process used to determine assumptions (Continued)

#### (c) Expenses assumption

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expense assumption is affected by certain factors, such as inflation and market competition. The Group determines expense assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per policy	% of premium	RMB per insured	% of premium
31 December 2014	80-95	1.15%-1.26%	60	0.88%
31 December 2013	70-95	0.83%-1.03%	30	0.38%

#### (d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

#### (e) Lapse rate and other assumptions

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (2) Net liabilities of insurance contracts

	As at 31 December 2014	As at 31 December 2013
<b>Group and Company</b>		
<b>Gross</b>		
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
Total, gross	480,100	426,881
<b>Recoverable from reinsurers</b>		
Long-term insurance contracts (Note 12)	(2,854)	(2,760)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 12)	(35)	(23)
– Unearned premiums liabilities (Note 12)	(51)	(79)
Total, ceded	(2,940)	(2,862)
<b>Net</b>		
Long-term insurance contract liabilities	475,552	422,634
Short-term insurance contract liabilities		
– Outstanding claims liabilities	527	497
– Unearned premiums liabilities	1,081	888
Total, net	477,160	424,019

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 14 INSURANCE CONTRACT LIABILITIES (Continued)

### (3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

Group and Company	For the year ended 31 December	
	2014	2013
<b>Beginning of the year – Gross</b>	520	452
Cash paid for claims settled in the year		
– Cash paid for current year claims	(774)	(816)
– Cash paid for prior year claims	(430)	(389)
Claims incurred in the year		
– Claims arising in the current year	1,298	1,298
– Claims accrued/(adjusted) for prior years	(52)	(25)
<b>End of the year – Gross</b>	562	520

The table below presents the movements in unearned premiums liabilities:

Group and Company	Gross	Ceded	Net
<b>As at 1 January 2013</b>	750	(27)	723
Increase	2,640	(192)	2,448
Release	(2,423)	140	(2,283)
<b>As at 31 December 2013</b>	967	(79)	888
Increase	2,740	(147)	2,593
Release	(2,575)	175	(2,400)
<b>As at 31 December 2014</b>	1,132	(51)	1,081

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

Group and Company	For the year ended 31 December	
	2014	2013
Beginning of the year	425,394	361,070
Premiums	107,128	101,000
Release of liabilities (i)	(88,390)	(56,966)
Accretion of interest	21,504	19,054
Changes in assumption (ii)	1,165	438
Other movements (iii)	11,605	798
End of the year	478,406	425,394

- (i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.
- (ii) Changes in assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, expense assumption, policy dividend assumption, and lapse rate and other assumptions.
- (iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 15 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movement in liabilities of investment contracts:

Group and Company	For the year ended 31 December	
	2014	2013
<b>Investment contracts excluding unit-linked contracts</b>		
Beginning of the year	25,701	18,734
Deposits received	6,508	10,479
Deposits paid and liabilities transferred out	(5,229)	(5,679)
Policy fees deducted from account balances	(199)	(433)
Interest and benefits accrued	1,128	2,614
Changes in investment contracts recorded in other comprehensive income	56	(14)
End of the year	27,965	25,701
<b>Unit-linked contracts</b>		
Beginning of the year	232	254
Deposits received	1	1
Deposits paid and liabilities transferred out	(24)	(21)
Fair value changes	39	(2)
End of the year	248	232
Total liabilities of investment contracts as at end of the year	28,213	25,933

## 16 BORROWINGS

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB5,000 million, and with an interest rate 5.7% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.7% per annum beginning in the sixth year until the maturity date.

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB10,000 million, and with an interest rate 4.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 6.6% per annum beginning in the sixth year until the maturity date.

Upon the approval of the CIRC in November 2014, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB4,000 million, and with an interest rate 5.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.6% per annum beginning in the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

The fair value of borrowings as at 31 December 2014 was RMB19,038 million, which are within level 2 of the fair value hierarchy.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

Group and Company	As at 31 December 2014	As at 31 December 2013
By market		
Inter-bank market	40,040	37,597
Stock exchange	19,194	14,614
Total	59,234	52,211
By collateral		
Bonds	59,234	52,211
Total	59,234	52,211

Maturity:

	As at 31 December 2014	As at 31 December 2013
Within 3 months (including 3 months)	54,234	52,211
After 3 months but within 6 months (including 6 months)	5,000	–
Total	59,234	52,211

As at 31 December 2014, bonds with par value of RMB43,731 million (as at 31 December 2013: RMB42,950 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group and the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2014, the amount of securities deposited in the collateral pool amounted to RMB33,257 million (as at 31 December 2013: RMB39,467 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 18 PROVISIONS

<b>Group and Company</b>	<b>Lawsuits and disputes</b>
As at 1 January 2014	458
Increase	–
Decrease	(429)
As at 31 December 2014	29
As at 1 January 2013	458
Increase	–
Decrease	–
As at 31 December 2013	458

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific circumstances and legal advice, the Company makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgment and settlement amounts, thus they may differ from the current provision.

As of 31 December 2013, the Company carried a RMB429 million provision for the dispute and litigation with Shenzhen Airlines Co., Ltd. (hereinafter referred to as “Shenzhen Airlines”). This dispute with Shenzhen Airlines had been ongoing for many years and on 18 August 2009, Shenzhen Airlines had transferred the related receivable it sought to recover from the Company to Shenzhen Huirun Investment Co., Ltd. (hereinafter referred to as “Shenzhen Huirun”). In March 2010, Shenzhen Huirun started liquidation which was managed by an administrator designated by the Shenzhen Intermediate People’s Court (hereinafter referred to as “Shenzhen Court”). On 18 December 2014, the Shenzhen Court made a decision to conclude the liquidation process at the request from the Administrator. Due to such development of events and taking into consideration the advice from an external lawyer, the Company’s management believes that the probability that the Company will suffer any loss arising from the dispute or litigation with Shenzhen Airlines is low. Accordingly, the Company reversed the provision of RMB429 million during the year ended 31 December 2014.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 19 OTHER LIABILITIES

Group	As at 31 December 2014	As at 31 December 2013
Salary and welfare payable	1,512	1,217
Commission and brokerage payable	1,047	876
Investment clearing account (Note 13(2))	819	1
Taxes payable other than income tax	204	344
Security deposits by agent for holding the Company's documents	193	177
Repayment payable for non-insurance contracts	94	139
Unallocated receipts	44	87
Insurance security fund payable	44	65
Purchase payment for Heilongjiang branch's building (Note 13(4))	37	37
Special dividends for shareholders (1)	–	833
Others	1,096	808
<b>Total</b>	<b>5,090</b>	<b>4,584</b>
Current	4,860	3,537
Non-current	230	1,047
<b>Total</b>	<b>5,090</b>	<b>4,584</b>

Company	As at 31 December 2014	As at 31 December 2013
Salary and welfare payable	1,302	1,128
Commission and brokerage payable	1,047	876
Investment clearing account (Note 13(2))	819	1
Taxes payable other than income tax	194	335
Security deposits by agent for holding the Company's documents	193	177
Repayment payable for non-insurance contracts	94	139
Unallocated receipts	44	87
Insurance security fund payable	44	65
Purchase payment for Heilongjiang branch's building (Note 13(4))	37	37
Special dividends for shareholders (1)	–	833
Others	1,137	768
<b>Total</b>	<b>4,911</b>	<b>4,446</b>
Current	4,681	3,399
Non-current	230	1,047
<b>Total</b>	<b>4,911</b>	<b>4,446</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 19 OTHER LIABILITIES (Continued)

### (1) Special dividends for shareholders

The “Resolution on Specific Matters Relating to the Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd.”(Special Dividend) was approved at the 47th meeting of the fourth session of the Board of the Company on 26 July 2012. The Special Dividend, as calculated and declared in RMB on the basis of the total number of 3,119,546,600 shares then issued by the Company, at RMB0.32056 (including tax) per share, amounted to approximately RMB1 billion. In 2012, the distribution of the special dividend was completed.

The Company’s shareholders prior to its initial public offering undertook to provide protection to the public investors. Upon completion of the above special dividend distribution, they deposited their share of the special dividend distribution into custodial bank accounts designated “Special Appropriation”, to cover actual losses arising from the Former Chairman Irregularities which might be in excess of the impairments or provisions that which have been disclosed in the consolidated financial statements within 36 months from the listing of the Company. Upon the maturity of the 36-month period, the funds remaining in such custodial bank accounts will be returned to these shareholders.

On 18 December 2014, the Company announced that the commitment on the Special Dividend Distribution and Public Investor Protection Mechanism has been fulfilled on 16 December 2014, the end of the 36-month period. Losses from the former chairman’s misconduct were within the amount of impairments and provisions as disclosed in the prospectus and further losses did not surface during the 36-month period. The Company has completed the distribution of the aggregate of principal and interest in the Special Appropriation Accounts to all the Then Existing Shareholders on a pro rata basis of their shares as at the date on which the Special Dividend Resolution was passed at the 2011 Sixth Extraordinary General Meeting (after adjustments for shares that were disposed of by various state-owned shareholders during the IPO). As at 31 December 2014, the amount in the Special Appropriation bank account was nil (as at 31 December 2013: RMB833 million).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 20 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. Most of income taxes shown below are taxes 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 expenses that do not meet the criteria for deduction under relevant tax regulations issued by the authority.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 20 TAXATION (Continued)

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

### Group

	Financial assets	Insurance 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)	–

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 20 TAXATION (Continued)

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

#### Company

	Financial assets	Insurance 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 income tax assets	–	1,024
Total net deferred income 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	As at 31 December 2013
Deductible losses	305	139
Deductible temporary differences	475	475
Total	780	614

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 21 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2014	As at 31 December 2013
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,120

Upon the Company's A share offering, its shareholder, Central Huijin Investment Ltd. (hereinafter referred to as "Huijin") committed that it would not transfer nor entrust others, directly or indirectly its shares in the Company within 36 months from the date of the Company's A share listing. The Company is not allowed to buy back the shares held by Huijin. The restricted period expired on 31 December 2014.

## 22 RESERVES

Group	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2013	23,962	5	1,000	1,000	25,967
Other comprehensive losses	–	(980)	–	–	(980)
Appropriation to reserves	–	–	458	458	916
As at 31 December 2013	23,962	(975)	1,458	1,458	25,903
Other comprehensive income	–	3,107	–	–	3,107
Appropriation to reserves	–	–	644	644	1,288
Others	2	–	–	–	2
As at 31 December 2014	23,964	2,132	2,102	2,102	30,300

Company	Share premium (a)	Unrealized income/ (losses) (Restated)	Surplus reserve (b)	Reserve for general risk (c)	Total (Restated)
As at 1 January 2013	23,962	5	1,000	1,000	25,967
Other comprehensive losses	–	(979)	–	–	(979)
Appropriation to reserves	–	–	458	458	916
As at 31 December 2013	23,962	(974)	1,458	1,458	25,904
Other comprehensive income	–	3,102	–	–	3,102
Appropriation to reserves	–	–	644	644	1,288
As at 31 December 2014	23,962	2,128	2,102	2,102	30,294

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 22 RESERVES (Continued)

#### (a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

#### (b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

##### (i) Statutory surplus reserve

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital upon approval.

The Company appropriated RMB644 million for the year ended 31 December 2014 to the statutory surplus reserve (for the year ended 31 December 2013: RMB458 million).

##### (ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company did not transfer any amount to the DSR in 2014 (for the year ended 31 December 2013: Nil).

#### (c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2014, the Company appropriated 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2013: 10%).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	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

### 24 INVESTMENT INCOME

	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
<b>Total</b>	<b>31,784</b>	<b>24,374</b>
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
<b>Total</b>	<b>31,784</b>	<b>24,374</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 25 OTHER INCOME

	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
<b>Total</b>	<b>840</b>	<b>228</b>

### 26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2014	2013
<b>Gross</b>		
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
<b>Total</b>	<b>112,302</b>	<b>103,963</b>
<b>Recovered from reinsurers</b>		
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
<b>Total</b>	<b>(285)</b>	<b>(222)</b>
<b>Net</b>		
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
<b>Total</b>	<b>112,017</b>	<b>103,741</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 27 ADMINISTRATIVE EXPENSES

	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
<b>Total</b>	<b>11,335</b>	<b>9,977</b>

(1) Employee benefit expenses are presented below:

	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
<b>Total</b>	<b>7,457</b>	<b>6,344</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 28 OTHER EXPENSES

	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 (Note 13(5))	–	(9)
Others	254	199
<b>Total</b>	<b>543</b>	<b>643</b>

### 29 FINANCE COSTS

	For the year ended 31 December	
	2014	2013
Interest expenses for financial assets sold under agreements to repurchase	1,400	1,225
Interest expenses for the subordinated debts	771	745
<b>Total</b>	<b>2,171</b>	<b>1,970</b>

### 30 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 (for the year ended 31 December 2013: RMB4,422 million) which is included in the consolidated financial statements of the Group.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 31 EARNINGS PER SHARE

### (1) Basic

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

	For the year ended 31 December	
	2014	2013
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 (for the year ended 31 December 2013: same).

## 32 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 20 May 2014, a final dividend of RMB0.15 per ordinary share (inclusive of tax) totalling RMB468 million was declared.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (1) Related parties

The table below summarizes the significant related parties of the Company in 2014:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China")	Subsidiary of the Company
Xinhua Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Business Management (Beijing) Co., Ltd. ("Xinhua Seniors")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd. ("Tanzhou Real Estate")	Subsidiary of the Company
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Subsidiary of the Company
New China Life Insurance (Xi'an) Clinic Co., Ltd. ("Xi'an Clinic")	Subsidiary of the Company
New China Life Insurance (Wuhan) Clinic Co., Ltd. ("Wuhan Clinic")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
New China Asset Management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
New China Life Excellent Health (Yantai) Clinic Co., Ltd. ("Yantai Clinic")	Subsidiary of the Company
New China Life Excellent Qingdao Clinic Co., Ltd. ("Qingdao Clinic")	Subsidiary of the Company
New China Life Excellent Baoji Clinic Co., Ltd. ("Baoji Clinic")	Subsidiary of the Company
New China Life Excellent Chongqing Clinic Co., Ltd. ("Chongqing Clinic")	Subsidiary of the Company
New China Life Excellent (Changsha) Health Management Co., Ltd. ("Changsha Clinic")	Subsidiary of the Company
Chengdu Jinjiang New China Life Excellent Clinic Co., Ltd. ("Chengdu Clinic")	Subsidiary of the Company
Zhengzhou New China Life Excellent Health Management Co., Ltd. ("Zhengzhou Clinic")	Subsidiary of the Company
Hefei Shushan New China Life Excellent Clinic Co., Ltd. ("Hefei Clinic")	Subsidiary of the Company
Hohhot New China Life Excellent Clinic Co., Ltd. ("Hohhot Clinic")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Beijing Century Haoran Power Technology Development Co., Ltd. ("Haoran Power")	Subsidiary of the Company
Jinan New China Life Excellent Clinic Co., Ltd. ("Jinan Clinic")	Subsidiary of the Company
New China Life Excellent Health Technology (Beijing) Co., Ltd. ("Excellent Health Technology")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Minshengtonghui-Alibaba No.1 Asset Funding Plan	Associate of the Company
Minshengtonghui-Alibaba No.2 Asset Funding Plan	Associate of the Company
Petro China Oil Pipeline Project Entity Investment Plan	Associate of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended 31 December	
	2014	2013
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	12	12
Transactions between the Company and its subsidiaries		
– Additional capital contribution to New China Asset Management (ii)	465	–
– Investment management fee to New China Asset Management (iii)	349	240
– Investment management fee to Hong Kong Asset Management Company (Hong Kong)(iii)	41	–
– Dividends from New China Asset Management (iv)	–	141
– Rent earned from New China Asset Management (v)	5	5
– Rent earned from New China Health (v)	2	–
– Commission charged to the Company from Yunnan New China (vi)	–	1
– Chongqing New China Insurance Agency Co., Ltd. (“Chongqing New China”) liquidation (vii)	7	–
– Health check and service fee charged to New China Health (viii)	8	–
– Additional capital contribution to Xinhua Seniors (ix)	547	–

#### (i) Bond interest from Huijin

Huijin became a shareholder of the Company in 2009 and directly holds 31.34% of the Company’s shares as at 31 December 2014. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments on behalf of the State Council. Huijin exercises the obligation and rights on behalf of the State Council. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, the Company purchased bonds issued by Huijin at a par value of RMB300 million from the inter-bank market. As at 31 December 2014, the carrying value of these bonds was RMB300 million (as at 31 December 2013: RMB300 million). The recognized bond interests for the year ended 31 December 2014 was RMB12 million (for the year ended 31 December 2013: RMB12 million).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Transactions with significant related parties (Continued)

##### (ii) *Additional capital contribution to New China Asset Management*

Pursuant to the resolution passed at the 11th meeting of the fifth session of the Board of Directors in 2013, the Company injected RMB465 million to New China Asset Management in 2013. In February 2014, the increase of registered capital of New China Asset Management was approved by the CIRC (supervisor license [2014] No 130). After the capital injection, New China Asset Management's registered capital increased to RMB500 million.

##### (iii) *Investment management service agreement*

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investments in 2014. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to New China Asset Management. The Company has the right to deduct fees based on the performance of New China Asset Management or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2014. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

##### (iv) *Dividends from New China Asset Management*

New China Asset Management declared a dividend distribution on 27 September 2013 and planned to pay cash dividend, RMB1.4497 per share, to all shareholders. The Company recognised RMB141 million dividend income in 2013. The Company had received the dividend distribution in 2014. No dividend distribution from New China Asset Management occurred in 2014.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Transactions with significant related parties (Continued)

#### (v) Office rental contracts

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Asset Management as its office. The annual rental was approximately RMB5 million (for the year ended 31 December 2013: RMB5 million).

The Company leases part of the office building located at 5F, Blue Ocean Unit A, Green Central Plaza at Hohhot to New China Health. The annual rental was about RMB2 million (for the year ended 31 December 2013: nil).

#### (vi) Agency contracts

Yunnan New China acted as agency for the Company's individual insurance business. According to the agency contract, Yunnan New China charged commissions at 1% (for the year ended 31 December 2013: 1%) of standard premiums it generated.

#### (vii) Chongqing New China liquidation

On 25 August 2014, the liquidation of Chongqing New China was completed. The Company recorded a loss of RMB7 million on liquidation in other expenses.

#### (viii) Health service fee paid to New China Health

The Company entered into a contract with New China Health in 2014. According to the contract, the Company will purchase health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB8 million of expenses were incurred in 2014 (for the year ended 31 December 2013: nil).

#### (ix) Additional capital contribution to Xinhua Seniors

The Company contributed additional capital to Xinhua Seniors amounting to RMB547 million in December 2014, with cash of RMB197 million cash and a building. The carrying amount of the building was RMB309 million while its fair value was determined at RMB350 million based on valuation.

The office rental of New China Asset Management is based on the price agreed by both of the deal. The investment management fee to New China Asset Management and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. Commission charged to the Company by Yunnan New China is calculated based on the negotiated commission rate and the agency premium.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (3) Related party balances

	Group	
	As at 31 December 2014	As at 31 December 2013
Interest receivable		
Receivable from an investor with significant influence on the Company Huijin	4	4
Payables		
Payable to an investor with significant influence on the Company Huijin (i)	–	330
	Company	
	As at 31 December 2014	As at 31 December 2013
Receivables from subsidiaries		
Hefei Supporting Operation	167	–
Xinhua Seniors	51	16
Xi'an Clinic	22	22
Wuhan Clinic	21	20
Health Technology	17	14
Chongqing New China	–	9
New China Health	7	5
Yunnan New China	3	3
New China Asset Management (Note 33(2)(ii))	–	465
Haoran Power	374	–
<b>Total</b>	<b>662</b>	<b>554</b>
Dividends receivable		
New China Asset Management (Note 33(2)(iv))	–	141
Payables to subsidiaries		
New China Asset Management	94	21
Asset Management Company (Hong Kong)	20	–
Chongqing New China	–	2
<b>Total</b>	<b>114</b>	<b>23</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (3) Related party balances (Continued)

#### (i) Payable to Huijin

Payable to Huijin arose from the declaration of special dividends to shareholders.

No provisions are held against receivables from related parties.

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

### (4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2014	2013
Payroll and welfare	65	63

### (5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2014, most of bank deposits were with state-owned banks; the issuers of debt securities held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2014, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 34 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

### 35 COMMITMENTS

#### (1) Capital commitments

The Group had capital commitments for the purchase of debt investment plans, property plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2014	As at 31 December 2013
Contracted but not provided for	2,183	336
Authorised but not contracted for	96	–
<b>Total</b>	<b>2,279</b>	<b>336</b>

#### (2) Operating lease commitments

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

	As at 31 December 2014	As at 31 December 2013
Within 1 year (including 1 year)	396	322
Between 1 and 5 years (including 5 years)	705	360
More than 5 years	–	6
<b>Total</b>	<b>1,101</b>	<b>688</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 35 COMMITMENTS (Continued)

#### (3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follow:

	As at 31 December 2014	As at 31 December 2013
Within 1 year (including 1 year)	94	71
Between 1 and 5 years (including 5 years)	84	88
More than 5 years	–	–
<b>Total</b>	<b>178</b>	<b>159</b>

#### (4) Investment commitments

The Group has signed the contract to purchase equity investment funds. As at 31 December 2014, there is total amount of RMB716 million was disclosed as investment commitment contracted but not provided for. (as at 31 December 2013: RMB920 million).

### 36 INVESTMENTS IN SUBSIDIARIES

Company	As at 31 December 2014	As at 31 December 2013
Unlisted investments at cost	23,045	21,335

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 36 INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
New China Asset Management (note 33(2)(i))	Beijing, China	Asset management	RMB500 million	99.4%
Yunnan New China	Kunming, China	Insurance agency	RMB5 million	100%
Health Technology	Beijing, China	Real estate property development and training	RMB632 million	100%
Xinhua Seniors	Beijing, China	Service	RMB562 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Tanzhou Real Estate (i)	Beijing, China	Real estate property development	RMB10 million	95%
New China Health	Beijing, China	Investment management, Management consulting	RMB500 million	100%
Xi'an Clinic	Xian, China	Health management	RMB20 million	100%
Wuhan Clinic	Wuhan, China	Health management	RMB20 million	100%
Electronic Commerce (ii)	Beijing, China	Electronic commerce	RMB100 million	100%
Hefei Supporting Operation (ii)	Hefei, China	Real estate property investment and management	RMB8 million	100%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.6%
Yantai Clinic	Yantai, China	Health management	RMB20 million	100%
Qingdao Clinic	Qingdao, China	Health management	RMB20 million	100%
Baoji Clinic	Baoji, China	Health management	RMB16 million	100%
Chongqing Clinic	Chongqing, China	Health management	RMB22 million	100%
Changsha Clinic	Changsha, China	Health management	RMB22 million	100%
Chengdu Clinic	Chengdu, China	Health management	RMB20 million	100%
Zhengzhou Clinic	Zhengzhou, China	Health management	RMB20 million	100%
Hefei Clinic (ii)	Hefei, China	Health management	RMB20 million	100%
Hohhot Clinic (ii)	Hohhot, China	Health management	RMB20 million	100%
Hainan Seniors (ii)/(iii)	Hainan, China	Real estate	RMB760 million	100%
Jinan Clinic (ii)	Jinan, China	Health management	RMB20 million	100%
Excellent Health Technology (ii)	Beijing, China	Health management	RMB3 million	100%
Haoran Power (iv)	Beijing, China	Technological development	RMB20 million	100%
Guangzhou Yuerong (ii)	Guangzhou, China	Real estate	RMB10 million	100%
Orient No.1 Funding Plan	N/A	Project investment	RMB10 billion	100%
Huarong No.1 Funding Plan	N/A	Project investment	RMB10 billion	100%

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 36 INVESTMENTS IN SUBSIDIARIES (Continued)

- (i) 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 publication date of the report, Tanzhou Real Estate has not yet completed liquidation.
- (ii) Hefei Clinic, Hohhot Clinic, Electronic Commerce, Hefei Supporting Operation, Hainan Seniors, Jinan Clinic, Excellent Health Technology, and Guangzhou Yuerong were set up in 2014 and were included in the scope for consolidation.
- (iii) Establishment of Hainan Seniors

Pursuant to the resolution passed at the 17th meeting of the fifth session of the Board of Directors on 26 March 2014, the Company established Hainan Seniors on 16 May 2014. According to the article of association of Hainan Seniors, the registered capital of Hainan Seniors is RMB760 million and the Company should complete capital contribution before 15 May 2015. As at 31 December 2014, the Company had injected RMB535 million and the remainder of the registered capital amounting to RMB225 million was injected on 4 February 2015.

- (iv) Acquisition of Haoran Power

In 2014, the Company purchased 100% equity interest and controlling interests in Haoran Power, at a consideration of approximately RMB50 million. The Company completed the acquisition of Haoran Power on 30 September 2014 (the "acquisition date"). All considerations were paid in cash.

The fair values of the identifiable assets and liabilities acquired as at the acquisition date were set out below:

<b>As at 30 September 2014</b>		
	<b>Fair value</b>	<b>Carrying amount</b>
Cash and cash equivalents	9	9
Property, plant and equipment	299	228
Other liabilities	(258)	(258)
<b>Total fair value of identifiable net assets</b>	<b>50</b>	
<b>Total consideration paid in cash</b>	<b>50</b>	

The fair values of the identifiable assets and liabilities of Haoran Power at the acquisition date were determined based on valuation results.

An analysis of the cash flows in respect of the acquisition of Haoran Power is as follows:

Cash and cash equivalents acquired	9
Total consideration paid in cash	(50)
<b>Net cash outflow</b>	<b>(41)</b>

The revenue, net profit and cash flow information of Haoran Power for the year ended 31 December 2014 since the acquisition date is as follows:

	<b>3 months period ended 31 December 2014</b>
Revenue	–
Net profit	4
Net cash flow	124

From the date of acquisition to 31 December 2014, the Group did not dispose of nor has it any intention to dispose of any significant assets or liabilities of Haoran Power.

- (v) Pursuant to the "Resolution for dissolution of Chongqing New China Insurance Agency Co., Ltd." approved in 2011 at the 7th shareholders' extraordinary general meeting of 2011, the dissolution of Chongqing New China Insurance Agency Co., Ltd. was completed in August 2014.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 36 INVESTMENTS IN SUBSIDIARIES (Continued)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. There are no significant restrictions on all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of certain subsidiaries represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

### 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

#### (1) Directors' emoluments

The Directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation which are linked to the performance of the Group and each of the individual Directors.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2014 are as follows: (in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Dian Kang	-	4,936	275	-	-	-	5,211
Feng Wan (i)	-	1,537	313	-	-	-	1,850
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang (ii)	-	-	-	-	-	-	-
Johnny Chen (ii)	-	-	-	-	-	-	-
John Huan Zhao (iii)	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Fong	250	-	-	-	-	-	250
Zongkun Wu (iv)	-	-	-	-	-	-	-
Lefei Liu (v)	-	-	-	-	-	-	-
John Robert DACEY (vi)	-	-	-	-	-	-	-

During the year, no director waived or has agreed to waive any emoluments.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2013 are as follow:  
(in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Dian Kang	-	4,936	1,045	-	-	-	5,981
Zhiguang He(vii)	-	4,488	855	-	-	-	5,343
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
Chengran Wang	-	-	-	-	-	-	-
Johnny Chen	-	-	-	-	-	-	-
Chee Meng Cheong (viii)	-	-	-	-	-	-	-
John Huan Zhao	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Fong	250	-	-	-	-	-	250

During the year, no director waived or has agreed to waive any emoluments.

- (i) Appointed on 24 November 2014.
- (ii) Resigned on 15 January 2014.
- (iii) Resigned on 23 March 2015.
- (iv) Appointed on 8 July 2014.
- (v) Appointed on 30 July 2014.
- (vi) Appointed on 25 August 2014.
- (vii) Resigned on 31 December 2013.
- (viii) Passed away on 17 September 2013.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

### 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

#### (2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2014 are as follow: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang (i)	–	–	–	–	–	–
Jun Chen (ii)	1,346	–	–	–	–	1,346
Bo Ai	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Hongbo Lv	–	–	–	–	–	–
Yiying Liu	1,584	528	–	–	–	2,112
Tao Zhu	749	402	–	–	–	1,151
Jing Yang	485	243	–	–	–	728

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2013 are as follow: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Jun Chen	4,040	851	–	–	–	4,891
Bo Ai	–	–	–	–	–	–
Nansong Zhu (iii)	–	–	–	–	–	–
Xiaojun Chen	–	–	–	–	–	–
Hongbo Lv (iv)	–	–	–	–	–	–
Yiying Liu	1,527	322	–	–	–	1,849
Tao Zhu	817	206	–	–	–	1,023
Jing Yang	477	223	–	–	–	700

(i) Appointed on 8 July 2014.

(ii) Resigned on 28 April 2014.

(iii) Resigned on 1 February 2013.

(iv) Appointed on March 2013.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)

## 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (3) Five highest paid individuals

For the year ended 31 December 2014, the five individuals whose emoluments were the highest in the Group include 1 (for the year ended 31 December 2013: 2) directors whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 4 (for the year ended 31 December 2013: 3) highest paid individuals are as follows:

	For the year ended 31 December	
	2014	2013
<b>Total (in RMB thousands)</b>	<b>41,627</b>	<b>23,560</b>

The five senior managements' emoluments fell within the following bands:

	As at 31 December	
	2014	2013
HK\$6,500,001 – HK\$7,000,000	1	1
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$8,000,001 – HK\$9,000,000	–	1
HK\$9,000,001 – HK\$10,000,000	1	–
HK\$11,000,001 – HK\$12,000,000	1	–
HK\$12,000,001 – HK\$13,000,000	1	–
HK\$14,000,001 – HK\$15,000,000	–	1
HK\$18,000,001 – HK\$19,000,000	1	–

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2014 (All amounts in RMB millions unless otherwise stated)*

### 38 POST BALANCE SHEET DATE EVENTS

#### (1) Issue of Debt of Financing Instruments

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 Instrument for the Year 2014, agreeing to issue debt financing instruments with a period of more than 5 year and a total amount of no more than RMB5 billion in 2014. 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.

#### (2) Capital injection to New China Health

On 21 January 2015, the 24th meeting of the fifth session of the Board of Directors approved to inject additional capital to New China Health using the Company's 100% equity interests in Xi'an Clinic and Wuhan Clinic. After the capital injection, New China Health's registered capital increased by RMB7 million.

#### (3) Dividend

Pursuant to a resolution passed at the 25th meeting of the fifth session of the Board of Directors on 25 March 2015, a final dividend of RMB0.21 per ordinary share (including tax) totalling approximately RMB655 million for the year ended 31 December 2014 was proposed for shareholders' approval at the annual general meeting.

Apart from the above event, there were no other significant post balance sheet date events that need to be disclosed by the Group.

### 39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 25 March 2015.



# 95567

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