新華人壽保險股份有限公司
NEW CHINA LIFE INSURANCE COMPANY LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01336)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CHAIRMAN'S LETTER TO SHAREHOLDERS

Making steady progress with further transformation development

1. 2016 Review

In 2016, the global economy continued to be sluggish and the financial market was volatile with frequent occurrence of "black swan" events. China's economy maintained overall stability in spite of difficulties, but growth slightly slowed down as compared to last year. The capital market continued to fluctuate with a surge in defaulted bonds. Pressure on financial risk largely increased. Therefore, in view of the increasingly stringent insurance regulation and the intensive introduction of various policies, the industry positioning of returning to protection has been clearer. In 2016, there was a re-election of the member of the board of directors (the "**Board**") of New China Life Insurance Company Ltd. (the "**Company**" or "**NCI**") and new management members were also appointed. The Company has achieved huge success in development under the leadership of the former Board and management, but also is facing with a grim situation of being caught up with and surpassed by its major competitors. There was an urgent need for the Company to improve its competitive advantages and sustainable development capability.

In view of the external and internal changes and pressure, the Company upheld the concept of "returning to the essence of insurance" and defined its transformation development strategies, including downsizing a significant amount of single premiums business, making further efforts in regular premiums business, especially the long-term regular premiums business, adjusting the budget management model for guiding independent operation of branches and focusing on the development of a sales team with high performance rate and productivity ("**two-high**"). At the same time, the Company also streamlined its structure, delegated powers and rationalized system so as to significantly improve management and operational efficiency and further enhance customer experience. After a year of unremitting efforts, the Company achieved excellent results.

In 2016, the overall size of insurance business of the Company was stable with a slight growth. Gross written premiums amounted to RMB112,560 million, of which new business value amounted to RMB10,449 million, representing an increase of 36.4% year-on-year. Meanwhile, the Company made timely adjustments on investment strategy and asset allocation in response to capital market conditions, thereby achieving a total investment yield of 5.1% for the year. As at the end of 2016, the Company's total assets amounted to RMB699,181 million, representing an increase of 5.8% year on year. Embedded value amounted to RMB129,450 million, representing an increase of 17.0% year on year. Core solvency margin ratio was 259.74%, representing an increase of 11.2 percentage points year on year. Comprehensive solvency margin ratio was 281.3%, representing an increase of 0.34 percentage point year on year.

As a whole, the operating results of the Company in 2016 mainly presented the following features:

(1) Remarkable results in transformation development. In 2016, despite the reduction in single premium business of RMB11,700 million as planned, the gross written premiums were stable with slight growth. First year regular premiums amounted to RMB23,685 million, representing an increase of RMB6,920 million with a year-on-year increase of 41.3%. By virtue of the rapid growth in the sales of protection-type products and regular premium business, the value of one year's new business significantly increased while the renewal business bottomed out with an increase of 9.0%. The growth was driven by the regular premium business with the emergence of a business model whose growth was driven by renewal premiums.

(2) Significant optimization in business structure. In terms of the structure of new policies, the proportion of first year regular premium in new business increased from 32.0% of 2015 to 49.7% while premiums from regular premium products with premium payment periods of ten years or more accounted for 59.7% of the first year regular premiums. The proportion of renewal premiums in gross written premiums increased to 57.6%. In terms of product structure, premiums from health insurance accounted for 20.9% of the first year premiums, representing a year-on-year increase of 6.1 percentage points.

(3) Leading product innovation in industry. Following the philosophy of "returning to the essence of insurance", the Company focused on the development of a series of market leading protection-type products. In particular, the "Jiankangwuyou (健康無憂)" product series achieved first year premiums of RMB6,500 million for the year, taking a leading position among various critical illness insurance products on the market; "Multiple Protection (多倍保)" product triggered strong reaction and imitation in the market; the first cash dividend participating product, "Meilirensheng (美利人生)", successfully completed pilot sales; and the upgraded version of "Kangjianjishun (康健吉順)", a cancer insurance product specially designed for the people in Northeast China, was popular in the northeast region.

(4) Preliminary establishment of independent operation system. In 2016, the Company established a budget management model based on product pricing and characterized by determining expenditure based on income and linking to performance. The model linked the operation and management expenditure and internal and external salary incentives with income and guided the branches to put more efforts in product sales and achieve a breakeven so as to further improve its expenditure management level.

(5) Initial results in the establishment of "two-high" team. In view of the status of the Company's agent team as well as the trend of team development in the industry, the Company focused on the establishment of "two-high" team so as to improve performance rate and productivity per capita of the team by adopting measures including policy guidance and indicator assessment, thereby facilitating the structural improvement and healthy development of the team. As at the end of 2016, the monthly performance rate(1) was 54.1%, representing a year-on-year increase of 1.3 percentage points. The monthly average per capita comprehensive productivity(2) amounted to RMB5,798, representing a year-on-year increase of 3.8%.

(6) Obvious improvement in management efficiency. In 2016, the Company introduced the application for self-service platform, which improved the efficiencies in underwriting, updating information and claim settlement, enhanced customer experience and saved operation cost of the Company. At the same time, the Company delegated certain powers in relation to the review and approval with respect to underwriting review, updating information, claim settlement, remuneration, workplace establishment and other areas, which improved the management efficiency and operational efficiency by streamlining operations and delegating powers.

(7) Breakthroughs in policy business. In 2016, the Company intensified its efforts in the development of policy business. The Company obtained three projects of critical illness insurance business in Qitaihe, Heilongjiang, Ulanqab, Inner Mongolia and Huaibei, Anhui. The projects covered three types of targets participating in the insurance business, namely the new rural cooperative medical care system, urban citizens and urban workers. Breakthroughs were achieved in policy business including medical insurance card business and personal tax benefit health insurance. New China Pension Co., Ltd. (新華養老保險股份有限公司) was formally established with basically completed top-level design work.

The year of 2016 was the first year for the Company to exert full efforts in transformation development. The Company underwent pressures and obstacles at all levels and finally delivered excellent performance in the opening of the "Thirteenth Five-Year Plan" period with its exceptional strength and execution. We would like to say thanks to all the shareholders of the Company (the "**Shareholders**") who gave trust and support to the management, to all our colleagues for their hard work, and also to everyone who supported and helped the Company's development. 2016 was the 20th anniversary of the Company. We organized a series of commemorative events with a theme of "Tribute • Inheritance" and customer rewarding activities. The Shareholder representatives, former and present directors, the management, retired employees and outstanding external and internal workers were invited so as to express our respect for the history and our confidence in the future. We will focus on the present time as well as the future while giving full play to our advantages and making up for deficiencies so as to create a new era.

Notes:

1. Monthly performance rate = monthly average number of performing agents/monthly average number of agents.
   Monthly average number of performing agents = (∑number of performing agents in a month)/the number of months in the reporting period, where monthly number of performing agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month exceeds zero.
   Monthly average number of agents={∑[(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

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

2. Objectives for "Thirteenth Five-Year Plan"

With 20 years of development, NCI has been at the forefront of the life insurance industry, manifesting the Company's size. However, the Company is still not strong enough. The foundation of sustainable development has yet to be further solidified. There is a big gap between some of our core indicators as compared to our major competitors. Therefore, strengthening NCI is a mission for the Board and the management.

In 2016, under the leadership of the Board, the Company formulated its business plan for the "Thirteenth Five-Year Plan" period after repeated discussions and amendments. The plan will be submitted to the general meeting for consideration and approval recently. The plan is a consensus of the Board, the management and the key employees, which defines the vision, major objectives for the next five years and development initiatives of NCI. During the "Thirteenth Five-Year Plan" period and in the next period of time, the long-term vision of NCI will continue to be forging the most excellent financial service group in China devoted to all-round life insurance services. Besides, during the "Thirteenth Five-Year Plan" period, we will focus on developing the Company into "Strong NCI, Valuable NCI, Sustainable NCI and Harmonious NCI".

Strong NCI represents that the overall strength, market competitiveness, organization, investment and professional team of the Company shall be all at the forefront of the industry. The subsidiaries of the Company in healthcare and pension sectors shall have sound independent operation capabilities and shall be able to establish unique brands in the industry while generating synergies with the core of life insurance business.

Valuable NCI represents that the business value of the Company shall continue to improve while establishing a scientific and sound profit structure with "three margins". Interest margins shall remain stable. Mortality surplus shall maintain rapid growth. Fee surplus shall achieve breakeven. The Company's value in serving the community and customers shall continue to manifest and the Company shall become a preferred choice of life insurance service, risk management expert and wealth management consultant for customers.

Sustainable NCI represents that the Company shall establish a business model whose growth is driven by renewal business, which has a strong capability in sustainable development. Regular premiums shall account for more than 70% of first year premiums. Premiums from regular premium products with premium payment periods of ten years or more shall account for more than 70% of regular premiums. Renewal premiums shall account for more than 70% of gross written premiums. Premiums from protection-type products shall account for more than 50% of first year premiums. In addition, operation risk shall be prevented and controlled effectively with solvency margin ratio meeting regulatory requirements.

Harmonious NCI represents that the Company shall create wealth for the society through sustainable and healthy business activities and perform its responsibilities as a corporate citizen through active participation in charity activities so as to play an important role in building a harmonious society. The Company shall also become a home for its employees and sales partners with happy growth and value enhancement by improving talent development mechanism, providing competitive remuneration packages and creating a harmonious culture.

The four major objectives are the key missions of the Company during the "Thirteenth Five-Year Plan" period. In order to accomplish the objectives, we have determined a business philosophy of "transformation development, independent operation, strengthening the team, technology support, efficient services and risk prevention". Transformation development means that we shall gradually realize refined and scientific management by further perfecting mechanisms and regulating systems and procedures while focusing on efficiency, size and speed. Independent operation means that we shall guide all our organizations to improve their operation capabilities through the coordination and synergies of planning, budgeting and incentives. Strengthening the team means that we shall establish a team of external and internal employees with excellent dedication and professionalism with the help of scientific and regulated market-oriented human resources management mechanism and incentive mechanism. Technology support means that we shall enhance our overall operation and management capabilities by establishing an intensive operating system at headquarters and a new core business system. Efficient services means that we shall further improve our customers' loyalty by means of innovative services and experience enhancement with the support from technology. Risk prevention means that we shall establish a scientific and effective corporate governance structure as well as establishing a comprehensive risk management system and a complete internal control system to maintain supervision on all operation and management activities so as to identify, warn for, prevent and handle various risks.

Guided by such philosophy, we formulated specific measures regarding all areas in operation and management covering business, finance, products, investment, team, organization establishment, human resources, information technology, operation of subsidiaries, operation management, customer service, brand culture and risk management. All those areas are closely connected with each other and require coordination so as to ensure a gradual implementation of transformation development strategy.

3. 2017 Outlook

Focusing on the objectives of the "Thirteenth Five-Year Plan", the Company will take action in two steps: the years from 2016 to 2017 will be the period for transformation, during which, the key task shall be adjusting business structure and consolidating foundation for development; the years from 2018 to 2020 will be the period for development, during which the key task shall be forming a new development momentum. In 2017, we will adhere to the principle of "making steady progress with further transformation development" and strive for the accomplishment of the transformation objective as planned. We will focus on the idea of being stable when achieving growth in total size. We will stabilize our policy orientation and cash flows so as to prevent systematic risk. We shall also push forward progress while continue to optimize structure of premiums, premium payment period, products, expenditure and profit so as to accelerate business growth and achieve value growth.

With respect to business development, the Company will further adjust and optimize business structure while maintaining stability in size. There will be three focuses: (1) insurance sales shall focus on value growth, key channels and major products; (2) market expansion shall focus on city markets while speeding up the deployment in the blank markets at prefecture level and increase the density of fourth tier organizations in cities; (3) the Company shall actively participate in and expand policy business including critical illness insurance, long-term care insurance, tax benefit health insurance and new rural cooperative medical care system.

With respect to team building, the Company will build a professional management team and a "three-high" (high performance rate, high productivity and high retention rate) sales team. Accountability system and elimination system will be implemented in the management team while strengthening the establishment of follow-up management pool. The sales team will focus on skill building, optimize organizational management system and Fundamental Management Measures on Individual Insurance Agents ("**Fundamental Management Measures**"), strengthen the operation of system and especially attach importance to the enhancement in quality and capability of the team.

With respect to enhancement in service capacity, the Company will establish a stable customer service relationship by setting up a dedicated team for customer service so as to improve customer satisfaction. Placing a great emphasis on handling customer complaints, the quality and efficiency of basic services will be improved by establishing a culture of "handling complaints at first priority" throughout the Company so that complaints will be handled with active response. Taking the point system as the starting point, value-added services will be provided as a special feature. The Company will further simplify the claims settlement procedure and establish rules for claims settlement with different grades so as to improve our reputation regarding claims settlement.

With respect to establishment of management system, the responsibilities and duties of the organizations at all levels will be further defined for management relationship while strengthening line management and vertical control. The Company will formulate and improve comprehensive regulations and systems starting from procedures formulation. The Company will accelerate the construction of the core platform so as to improve its support for the Company's operation and management in a practical way. The Company will further enhance the budget management system and the independent operation capabilities of its organizations. The Company will also establish a comprehensive and scientific management mechanism on its subsidiaries so as to improve their operation capabilities and market competitiveness.

With respect to risk management, the focus of risk management shall be shifted from "punishment afterwards" to "prevention beforehand". We shall enhance the internal control system, strengthen internal control, improve audit efficiency and carry out internal inspections to preserve the bottom line of risks.

The year 2017 will be a crucial year for the Company's transformation development. I will work with the employees and sales partners throughout the Company to strive for the decisive victory in transformation development with full confidence and courage in spite of difficulties and challenges so as to lay a solid foundation for the excellent achievement of the Company's objectives for the "Thirteenth Five-Year Plan".

We would like to once again express our sincere gratitude to our investors, clients, business partners and the community for their care and support for NCI. We will endeavour to fulfill our mission.

WAN Feng
Chairman
29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

For the 12 months ended 31 December	**2016**	2015	Change
Gross written premiums and policy fees	**112,648**	111,994	0.6%
First year premiums	**47,679**	52,338	-8.9%
Including: First year regular premiums	**23,685**	16,765	41.3%
Regular premiums with payment periods of ten years or more	**14,134**	11,474	23.2%
Total investment income[1]	**32,279**	45,603	-29.2%
Net profit attributable to shareholders of the Company	**4,942**	8,601	-42.5%
Value of new business[2]	**10,449**	7,663	36.4%
Market share[3]	**5.2%**	7.1%	Decreased by 1.9 percentage points
Persistency ratio			
Individual life insurance business 13-month persistency ratio[4]	**88.3%**	85.0%	Increased by 3.3 percentage points
Individual life insurance business 25-month persistency ratio[5]	**78.8%**	79.5%	Decreased by 0.7 percentage point

As of 31 December	**2016**	2015	Change
Total assets	**699,181**	660,560	5.8%
Net assets	**59,125**	57,841	2.2%
Investment assets	**679,794**	635,688	6.9%
Equity attributable to shareholders of the Company	**59,118**	57,835	2.2%
Embedded value[(2)]	**129,450**	110,650	17.0%
Number of customers (in thousands)			
of which: individual customers	**28,106**	27,106	3.7%
of which: institutional customers	**72**	71	1.4%

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other investment assets + dividend income from equity financial assets + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates and joint ventures under equity method + effect of the introduction of strategic investors to New China Life Excellent Health Investment Management Co. Ltd. ("**New China Health**").

2. The results of embedded value of 2016 were appraised by adopting the *China Association of Actuaries ("**CAA**") Standards of Actuarial Practice: Appraisal of Embedded Value* ("**Appraisal of Embedded Value**" **standard**) issued by the CAA in November 2016 and the 2015 results restated for adopting the *Appraisal of Embedded Value* standard and 2016 economic assumptions. Please refer to "Embedded Value" in this announcement for detail.

3. Market share: represents the data published by China Insurance Regulatory Commission (the "**CIRC**").

4. 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.

5. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

II. BUSINESS ANALYSIS

(I) Life insurance business

In 2016, the Company strived to establish a business model whose growth was driven by renewal business while focusing on regular premiums business and downsizing a significant amount of single premiums business. The operating performance for the year is characterized as follows:

Firstly, the premium scale was stable. For 2016, gross written premiums ("**GWP**") increased by 0.6% year-on-year to RMB112,560 million, of which first year premiums amounted to RMB47,679 million, representing a decrease of 8.9% year on year; regular premiums with premium payment periods of ten years or more amounted to RMB14,134 million, representing an increase of 23.2% year on year; and renewal premiums amounted to RMB64,881 million, representing an increase of 9.0% year on year.

Secondly, the value increased rapidly. New business value amounted to RMB10,449 million, representing an increase of 36.4% year on year. Embedded value amounted to RMB129,450 million, representing an increase of 17.0% year on year.

Thirdly, the business structure was continuously optimized. First year regular premiums accounted for 49.7% of first year premiums, representing an increase of 17.6 percentage points year on year. Regular premiums with premium payment periods of ten years or more accounted for 29.6% of first year premiums, representing an increase of 7.7 percentage points year on year. Premiums from health insurance accounted for 20.9% of first year premiums, representing an increase of 6.1 percentage points year on year. Renewal premiums accounted for 57.6% of total premiums, representing an increase of 4.4 percentage points year on year.

Fourthly, the quality was significantly improved. The 13-month persistency ratio of individual life insurance business, surrender rate and surrenders amounted to 88.3%, 6.9% and RMB43,777 million respectively, representing an increase of 3.3 percentage points, a decrease of 2.4 percentage points and a decrease of 19.4% year on year, respectively.

1. Analysis by distribution channels

Unit: RMB in millions

For the 12 months ended 31 December	2016	2015	Change
Individual insurance channel[1]	**73,466**	61,085	20.3%
First year premiums	**20,679**	16,160	28.0%
First year regular premiums	**17,948**	12,856	39.6%
Regular premiums with payment periods of ten years or more	**13,920**	11,195	24.3%
Single premiums	**2,731**	3,304	-17.3%
Renewal premiums	**52,787**	44,925	17.5%
Bancassurance channel	**37,727**	49,473	-23.7%
First year premiums	**25,675**	34,928	-26.5%
First year regular premiums	**5,710**	3,904	46.3%
Regular premiums with payment periods of ten years or more	**214**	278	-23.0%
Single premiums	**19,965**	31,024	-35.6%
Renewal premiums	**12,052**	14,545	-17.1%
Group insurance	**1,368**	1,301	5.1%
Total	**112,560**	111,859	0.6%

Notes:

1. The premiums of individual insurance channel are the sum of premiums from the original individual insurance agent channel and the service and business development channel. The comparative figures have been recalculated on the base line of the reporting period.

2. Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

To build up channels more professionally and make management more efficient, the Company integrated the original individual insurance agent channel and the service and business development channel into the "individual insurance channel", given the consistency of the two channels in terms of sale method, customer base and management model. In 2016, the individual insurance channel focused on regular premium business and mainly launched protection-type and high value-added products, such as health insurance and annuity insurance. The GWP from the individual life insurance channel for the year was RMB73,466 million, representing a year-on-year increase of 20.3%, of which the first year regular premiums amounted to RMB17,948 million, representing a year-on-year increase of 39.6%, the regular premiums with payment periods of ten years or more amounted to RMB13,920 million, representing a year-on-year increase of 24.3%, and the renewal premiums amounted to RMB52,787 million, representing a year-on-year increase of 17.5%.

In 2016, centering on "two-high" team building, the individual insurance channel saw effective expansion of agents team and continuous promotion in performance rate and productivity through strengthening the enforcement of fundamental management and Fundamental Management Measures. As at the end of 2016, the total number of individual insurance agents reached 328,000, representing a year-on-year increase of 9.0%, the monthly average performing agents was 153,000, representing a year-on-year increase of 29.0%, the monthly average performance rate was 54.1%, representing a year-on-year increase of 1.3 percentage points, and the monthly comprehensive productivity per capita was RMB5,798, representing a year-on-year increase of 3.8%.

② Bancassurance channel

In 2016, the bancassurance channel accelerated the pace of transformation and development and actively downsized the single premium business. Based on the dual-line development of annuity insurance and health insurance products, the Company put in extra efforts to develop the regular premium business. The GWP for the year was RMB37,727 million, representing a year-on-year decrease of 23.7%, of which the first year premiums amounted to RMB25,675 million, representing a year-on-year decrease of 26.5%; the first year regular premiums amounted to RMB5,710 million, representing a year-on-year increase of 46.3%, of which the first year regular premiums from the wealth management channel amounted to RMB2,080 million, representing a year-on-year increase of 76.4%; the single premiums amounted to RMB19,965 million, representing a year-on-year decrease of 35.6%.

(2) Group insurance business

In 2016, the GWP from the group insurance business of the Company was RMB1,368 million, representing a year-on-year increase of 5.1%.

2. Analysis by types of insurance products

Unit: RMB in millions

For the 12 months ended 31 December	2016	2015	Change
GWP	**112,560**	111,859	0.6%
Participating insurance[1]	**49,033**	49,988	-1.9%
First year premiums	**8,573**	2,670	221.1%
Renewal premiums	**40,460**	47,318	-14.5%
Traditional insurance	**38,677**	44,215	-12.5%
First year premiums	**27,958**	40,914	-31.7%
Renewal premiums	**10,719**	3,301	224.7%
Health insurance	**23,509**	16,517	42.3%
First year premiums	**9,945**	7,722	28.8%
Renewal premiums	**13,564**	8,795	54.2%
Accident insurance	**1,302**	1,100	18.4%
First year premiums	**1,203**	1,032	16.6%
Renewal premiums	**99**	68	45.6%
Universal insurance	**39**	39	0.0%
First year premiums	**1**	–[2]	N/A
Renewal premiums	**38**	39	-2.6%
Unit-linked insurance	**–**[2]	–[2]	–
First year premiums	**–**[2]	–[2]	–
Renewal premiums	**–**[2]	–[2]	–

Notes:

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

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

3. Numbers may not be additive due to rounding.

In 2016, the Company emphasized the development of protection-type products. Premiums of health insurance amounted to RMB23,509 million, representing a year-on-year increase of 42.3%; premiums of accident insurance amounted to RMB1,302 million, representing a year-on-year increase of 18.4%. Meanwhile, due to the active downsizing of single premium business in the bancassurance channel, premiums of traditional insurance was RMB38,677 million, down by 12.5% year on year. Premiums of participating insurance was RMB49,033 million, down by 1.9% year on year, as affected by the decline of renewal premiums.

3. Analysis by branches

Unit: RMB in millions

For the 12 months ended 31 December	2016	2015	Change
GWP	**112,560**	111,859	0.6%
Beijing Branch	**10,067**	9,693	3.9%
Shandong Branch	**9,300**	9,207	1.0%
Guangdong Branch	**8,590**	9,205	-6.7%
Henan Branch	**8,366**	7,689	8.8%
Hubei Branch	**6,053**	6,059	-0.1%
Sichuan Branch	**4,995**	5,084	-1.8%
Jiangsu Branch	**4,970**	5,128	-3.1%
Shaanxi Branch	**4,725**	4,093	15.4%
Zhejiang Branch	**4,575**	3,751	22.0%
Hunan Branch	**4,380**	4,189	4.6%
Other Branches	**46,539**	47,761	-2.6%

Note: The Company removed the organizational structure of seven regional management centers in late 2016.

As of the end of 2016, the Company established 35 branches across the country. In 2016, approximately 58.7% of the GWP were derived from ten branches in developed regions or densely populated areas such as Beijing, Shandong and Guangdong.

4. Operation of the top 5 insurance products in terms of GWP

Unit: RMB in millions

Rank	Product name	Gross written premiums	Standard premiums for new policies
1	Huifubao Second Generation annuity insurance	19,909	1,991
2	FuxiangYisheng Whole Life annuity insurance (Participating)	8,850	4,588
3	Jiankangwuyou Type C critical illness insurance	5,937	4,545
4	Huixinbao Second Generation annuity insurance	4,994	1,882
5	Jiankangfuxing Increment (2014) critical illness insurance	4,438	687

(II) Asset management business

In 2016, the Company developed its investment strategy and optimized its asset allocation based on the liability nature of the insurance business, the fluctuation cycle of the capital market, and the principle of absolute returns, in order to maintain stable and sustainable returns from the investment.

In terms of equity investment, the Company continued its defensive strategy to exercise effective management of positions. As of the end of 2016, the Company's equity investment amounted to RMB112,268 million, accounting for 16.5% of the total investment assets and representing a decrease of 1.5 percentage points from the end of last year. The Company also exercised rigorous control over bid prices, making gains via band trade.

As for bonds investment, the allocation shifted weight to treasury bonds and financial bonds to seize the opportunities arising from the market adjustment. As of the end of 2016, the Company's investment in treasury bonds and financial bonds amounted to RMB101,056 million, accounting for 14.9% of the total investment assets and representing an increase of 2.5 percentage points from the end of last year. In relation to the control on credit risk, the Company further enhanced its risk management system, conducted reviews strictly and strengthened products tracking so that it effectively avoided the impact of credit risk events. In 2016, there was no event of default in the bonds invested by the Company.

As for investment in non-standard assets, the allocation stressed wealth management products issued by commercial banks and other high-grade fixed income financial products with good liquidity and eligible risk return. As of the end of 2016, the Company's investment in non-standard assets amounted to RMB225,423 million, accounting for 33.2% of the total investment assets and representing an increase of 10.5 percentage points from the end of last year. The wealth management products issued by commercial banks accounted for the largest part of the total investment in non-standard assets at 31.6%. The non-standard assets invested by the Company generally had relatively high overall credit rating, and those with an AAA rating accounted for 97.1% of them (excluding wealth management products issued by commercial banks and equity financial products without an external rating).

1. *Investment portfolio*

Unit: RMB in millions

As of 31 December	**2016** Amount	**2016** Proportion	2015 Amount	2015 Proportion	Change
Investment assets	**679,794**	**100.0%**	635,688	100.0%	6.9%
Classified by investment type					
Term deposits[1]	**79,845**	**11.7%**	127,679	20.1%	-37.5%
Debt financial assets	**436,810**	**64.3%**	348,281	54.8%	25.4%
– Bonds	**242,647**	**35.7%**	229,235	36.1%	5.9%
– Trust products	**62,534**	**9.2%**	49,903	7.9%	25.3%
– Debt plans[2]	**32,835**	**4.8%**	29,299	4.6%	12.1%
– Asset funding plans	**20,000**	**3.0%**	20,000	3.1%	0.0%
– Others[3]	**78,794**	**11.6%**	19,844	3.1%	297.1%
Equity financial assets	**112,268**	**16.5%**	114,322	18.0%	-1.8%
– Funds	**47,029**	**6.9%**	52,271	8.2%	-10.0%
– Stocks[4]	**29,404**	**4.3%**	33,499	5.3%	-12.2%
– Investments in associates and joint ventures	**4,575**	**0.7%**	3,626	0.6%	26.2%
– Others[5]	**31,260**	**4.6%**	24,926	3.9%	25.4%
Cash and cash equivalents[1]	**14,230**	**2.1%**	13,904	2.2%	2.3%
Other investment assets[6]	**36,641**	**5.4%**	31,502	4.9%	16.3%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**11,834**	**1.7%**	13,856	2.2%	-14.6%
Available-for-sale financial assets	**283,308**	**41.7%**	216,897	34.1%	30.6%
Held-to-maturity investments	**195,126**	**28.7%**	177,502	27.9%	9.9%
Loans and other receivables[7]	**184,951**	**27.2%**	223,807	35.2%	-17.4%
Investments in associates and joint ventures	**4,575**	**0.7%**	3,626	0.6%	26.2%

Notes:

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

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

3. Others include debt asset management products, perpetual bonds, and wealth management products.

4. Stocks include common stocks and preferred stocks.

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

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

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

As of the end of the reporting period, the Company had investment assets of RMB679,794 million, representing an increase of 6.9% as compared to the end of last year. This increase was mainly attributable to the cash inflows from the Company's insurance business and increase in investment income.

As of the end of the reporting period, term deposits amounted to RMB79,845 million and accounted for 11.7% of the total investment assets, representing a decrease of 8.4 percentage points as compared to the end of last year, which was mainly due to the decrease in the allocation of term deposits upon the maturity of term deposits.

As of the end of the reporting period, debt financial assets amounted to RMB436,810 million, accounting for 64.3% of the total investment assets and representing an increase of 9.5 percentage points as compared to the end of last year. The Company increased the allocation of wealth management products, investment in trust products and government bonds among debt financial assets.

As of the end of the reporting period, equity financial assets accounted for 16.5% of the total investment assets, representing a decrease of 1.5 percentage points as compared to the end of last year, mainly due to the plunge of capital market, the unrealized gains of stock and funds dropped and partially had unrealized losses.

As of the end of the reporting period, cash and cash equivalents accounted for 2.1% of the total investment assets, representing a decrease of 0.1 percentage point 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 5.4% of the total investment assets, representing an increase of 0.5 percentage point as compared to the end of last year, which was mainly due to the increase in policy loans.

In terms of investment purposes, as of the end of the reporting period, available-for-sale financial assets increased by 7.6 percentage points as compared to the end of last year, mainly due to the increase in the allocation of wealth management products and trust products.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	**2016**	2015	Change
Interest income from cash and cash equivalents	**83**	105	-21.0%
Interest income from term deposits	**5,501**	7,924	-30.6%
Interest income from debt financial assets	**19,989**	18,292	9.3%
Dividend income from equity financial assets[1]	**5,482**	2,830	93.7%
Interest income from other investment assets[2]	**1,081**	1,033	4.6%
Net investment income[3]	**32,136**	30,184	6.5%
Realized gains/(losses) on investment assets	**1,243**	16,026	-92.2%
Unrealized gains/(losses)	**(373)**	(9)	4044.4%
Impairment losses on financial assets	**(1,356)**	(610)	122.3%
Effect of the introduction of strategic investors to New China Health	**481**	–	N/A
Share of results of associates and joint ventures[1]	**148**	12	1133.3%
Total investment income[4]	**32,279**	45,603	-29.2%
Net investment yield (%)[5]	**5.1%**	4.9%	increased by 0.2 percentage point
Total investment yield (%)[5]	**5.1%**	7.5%	decreased by 2.4 percentage points

Notes:

1. Cash dividend received from associates and joint ventures is included in dividend income from equity financial assets.

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 financial assets and other investment assets and dividend income from equity financial assets.

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 and joint ventures under equity method + effect of the introduction of strategic investors to New China Health.

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

The Company achieved a total investment income of RMB32,279 million during the reporting period, representing a decrease of 29.2% as compared to last year. The total investment yield was 5.1%, representing a decrease of 2.4 percentage points as compared to last year, which was primarily due to the decrease in net realized gains of investment assets.

The Company achieved a net investment income of RMB32,136 million, representing an increase of 6.5% as compared to last year; the net investment yield was 5.1%, representing an increase of 0.2 percentage point as compared to last year, which was mainly due to the increase in dividend income from equity investment fund.

The net realized gains or losses on investment assets, unrealized gains/(losses) and impairment losses on investment assets amounted to a loss of RMB486 million, a significant drop compared to the gain of RMB15,407 million in last year. This was primarily due to the market fluctuation with downward trend in 2016, the Company's net realized gains or losses on investment assets dropped significantly as compared to the same period of last year.

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 reporting period (RMB in millions)	As a percentage of total investments in securities at the end of the reporting period (%)	Profits/losses for the reporting period (RMB in millions)
1	Stock	002152	GRGBANKING	244.21	11.75	156.08	30.84	-74.55
2	Stock	002299	SUNNER	128.98	4.77	101.28	20.01	-33.72
3	Stock	600079	HWHG	50.68	2.85	56.85	11.23	6.42
4	Stock	600999	CMS	30.78	1.80	29.40	5.81	-0.01
5	Stock	600739	Liaoning Chengda	23.36	1.25	22.45	4.44	-0.91
6	Stock	000069	Overseas China Town A	19.95	2.85	19.84	3.92	0.26
7	Stock	300098	Gosuncn	19.08	1.25	19.80	3.91	0.71
8	Stock	000959	Shougang Shares	12.79	2.66	17.64	3.48	4.85
9	Stock	600153	C&D	15.05	1.30	13.91	2.75	-1.14
10	Stock	300332	Top Resource Conservation & Environment Corp	13.73	1.40	13.20	2.61	-0.29
Investments in other securities held at the end of the reporting period				52.31	/	55.70	11.00	-4.35
Profits/losses of investments in securities sold during the reporting period				/	/	/	/	-30.86
Total				610.92	/	506.15	100.00	**-133.59**

Notes:

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

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

3. Profits or 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 reporting period (%)	As a percentage of equity interests in that company at the end of the reporting period (%)	Carrying amount at the end of the reporting period (RMB in millions)	Profits/ losses during the reporting period (RMB in millions)	Change of Equity Ownership during the reporting period (RMB in millions)	Accounting classifications	Source of securities
600900	CYPC	1,119.57	0.03	0.42	1,157.30	35.77	33.59	Available for sale	Purchase
600079	HWHG	1,011.16	1.70	4.06	1,041.51	2.69	-39.04	Available for sale	Purchase
002007	HUALAN BIO.	543.20	2.53	2.28	757.81	50.34	145.67	Available for sale	Purchase
002415	HIKVISION	393.13	0.51	0.51	735.77	14.42	27.30	Available for sale	Purchase
600739	Liaoning Cheng Da	700.05	0.00	2.40	659.34	0.26	-40.71	Available for sale	Purchase
600196	Fosun Pharmaceutical	426.04	1.12	0.93	520.72	12.54	-23.37	Available for sale	Purchase
360009	ABC Preference Shares 2 (農行優2)	500.00	1.25	1.25	500.00	27.50	0.00	Available for sale	Purchase
600085	TRT	345.54	1.68	1.16	497.30	81.81	-372.55	Available for sale	Purchase
600153	C&D	411.40	1.54	1.58	477.98	57.62	-242.52	Available for sale	Purchase
06886	HTSC	617.49	0.44	0.44	413.90	-189.53	143.93	Available for sale	Purchase
Other securities held at the end of the reporting period		23,155.51	/	/	22,136.33	500.21	-4,102.65		
Total		29,223.09	/	/	28,897.96	593.63	-4,470.35		

Notes:

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

2. Profits or 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

Security name	Initial investment amount (RMB in millions)	As a percentage of equity interest in that company at the beginning of the reporting period (%)	As a percentage of equity interests in that company at the end of the reporting period (%)	Carrying amount at the end of the reporting 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
China Insurance Investment Company Ltd.	36.00	3.00	3.00	36.00	–	–	Available for sale	Promotion

Note: Other than the investment mentioned above and the subsidiaries, associates and joint ventures of the Company, the Company did not have any shareholding in other 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	2,424.65	28,275.45	N/A
Sale	2,594.33	N/A	1,345.67

4. *Investment in non-standard assets*

(1) Ratings

Excluding commercial banking wealth management products and equity financial products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 97.1%. The overall credit risk is minor and the security is high.

Ratings of Financial Products

Credit rating	**Proportion**
AAA	97.1%
AA+	2.5%
AA	0.4%
Total	**100.0%**

(2) Investment portfolio

	Amount (RMB in millions)	Proportion
Non-standard debt investments	194,163	86.2%
Trust product	62,534	27.7%
Debt plan	32,835	14.6%
Project asset support plan	20,000	8.9%
Wealth management product	71,126	31.6%
Perpetual Bond	5,000	2.2%
Asset management plan	2,668	1.2%
Non-standard equity investments	31,260	13.8%
Asset management plan	13,769	6.1%
Private equity	2,728	1.2%
Unlisted equity	11,063	4.9%
Equity investment plan	3,700	1.6%
Total	225,423	100.0%

(3) Major management institutions

Top 10 management institutions of financial products	Paid Amount (RMB in millions)	Proportion
New China Asset Management Co., Ltd.	22,050	9.78%
Agricultural Bank of China Limited	20,050	8.89%
China Construction Bank Corporation	20,014	8.88%
Huarong International Trust Co., Ltd.	16,938	7.51%
Zhongrong International Trust Co., Ltd.	16,186	7.18%
China Everbright Bank Company Limited	14,999	6.65%
Shanghai Pudong Development Bank Co., Ltd.	14,990	6.65%
PICC Capital Investment Management Company Limited	7,630	3.38%
Sun Life Everbright Asset Management Co., Ltd.	5,350	2.37%
Beijing International Trust Co., Ltd.	5,200	2.31%
Total	143,407	63.60%

III. ANALYSIS OF KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Analysis of principal components of the statement of financial position

1. Principal assets

Unit: RMB in millions

Component	**31 December 2016**	31 December 2015	Change
Investment properties	**3,395**	2,177	55.9%
Debt financial assets	**436,810**	348,281	25.4%
–Held-to-maturity	**195,126**	177,502	9.9%
–Available-for-sale	**184,045**	116,668	57.8%
–At fair value through profit or loss	**3,404**	3,389	0.4%
–Loans and receivables	**54,235**	50,722	6.9%
Equity financial assets	**107,693**	110,696	-2.7%
–Available-for-sale	**99,263**	100,229	-1.0%
–At fair value through profit or loss	**8,430**	10,467	-19.5%
Term deposits	**79,845**	127,679	-37.5%
Financial assets purchased under agreements to resell	**2,325**	91	2454.9%
Deferred tax assets	**308**	6	5033.3%
Other assets	**1,504**	9,284	-83.8%
Other assets not included in the above assets	**67,301**	62,346	7.9%
Total	**699,181**	660,560	5.8%

Note: As of the end of the reporting period, the principal assets of the Company had not been confiscated, seized, frozen or mortgaged, pledged, realized with certain conditions, unrealizable, unable to be used to settle debts, or subject to other restrictions on rights on possession, utilization, income and disposition.

Investment properties

As of the end of the reporting period, investment properties increased by 55.9% as compared to the end of 2015, mainly due to the Company rented out partial of the branches' workplaces which were ready to use and turned the construction in progress into investment properties.

Debt financial assets

As of the end of the reporting period, debt financial assets increased by 25.4% as compared to the end of 2015, mainly due to the increase in wealth management products, trust products and treasury bonds.

Equity financial assets

As of the end of the reporting period, equity financial assets decreased by 2.7% as compared to the end of 2015, mainly due to the plunge of capital market, the unrealized gains of stocks and funds dropped and partially had unrealized losses.

Term deposits

As of the end of the reporting period, term deposits decreased by 37.5% as compared to the end of 2015, mainly due to the decrease in the allocation of term deposits upon the maturity of term deposits.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell increased by 2454.9% as compared to the end of 2015, mainly due to the needs of investment assets allocation and liquidity management.

Deferred tax assets

As of the end of the reporting period, deferred tax assets increased by 5033.3% as compared to the end of 2015, mainly due to the downturn in the fluctuated capital market, the decrease in carrying amount of available for sale financial assets of the Company, as well as the increase in brokerage and commission payables, resulting in the excess of deductible temporary difference over the taxable temporary difference. Net amount of deferred tax of the Company is stated as deferred tax assets accordingly.

Other assets

As of the end of the reporting period, other assets decreased by 83.8% as compared to the end of 2015, mainly due to the decrease in receivable investment clearing amount.

2. *Principal liabilities*

Unit: RMB in millions

Component	31 December 2016	31 December 2015	Change
Insurance contracts liabilities	**543,228**	524,441	3.6%
Long-term insurance contracts liabilities	**541,424**	522,799	3.6%
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	**640**	559	14.5%
– Unearned premiums liabilities	**1,164**	1,083	7.5%
Financial assets sold under agreements to repurchase	**39,246**	19,816	98.1%
Claims payable	**2,950**	1,624	81.7%
Reinsurance liabilities	**215**	95	126.3%
Current income tax liabilities	**1,313**	1,007	30.4%
Deferred tax liabilities	**54**	853	-93.7%
Other liabilities not included in the above liabilities	**53,050**	54,883	-3.3%
Total	**640,056**	602,719	6.2%

Insurance contracts liabilities

As of the end of the reporting period, insurance contracts liabilities increased by 3.6% as compared to the end of 2015, 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.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase increased by 98.1% as compared to the end of 2015, primarily due to the allocation of investment assets and the requirements for liquidity management.

Claims payable

As of the end of the reporting period, claims payable increased by 81.7% as compared to the end of 2015, primarily due to the increase of full payment payable.

Reinsurance liabilities

As of the end of the reporting period, reinsurance liabilities increased by 126.3% as compared to the end of 2015, primarily due to the growth of insurance business ceded.

Current income tax liabilities

As of the end of the reporting period, the current income tax liabilities increased by 30.4% as compared to the end of 2015, mainly due to the increase in taxable income.

Deferred tax liabilities

As of the end of the reporting period, the deferred tax liabilities were RMB54 million, decreased by 93.7% as compared to the end of 2015, first, due to the downturn in the fluctuated capital market, the decrease in carrying amount of available for sale financial assets of the Company, as well as the increase in brokerage and commission payables, resulting in the excess of deductible temporary difference over the taxable temporary difference. Net amount of deferred tax of the Company is stated as deferred tax assets accordingly. Second, deferred tax liabilities, for the difference of carrying amount of investment in New China Health, between the consolidated level and the Company level, was accrued due to the introduction of strategic investors to New China Health.

3. *Shareholders' equity*

As of the end of the reporting period, equity attributable to Shareholders amounted to RMB59,118 million, representing an increase of 2.2% as compared to the end of 2015, mainly due to investment income and the cumulative growth of insurance business.

(II) Analysis of principal components of the statement of comprehensive income

1. *Revenues*

Unit: RMB in millions

For the 12 months ended 31 December	2016	2015	Change
Gross written premiums and policy fees	**112,648**	111,994	0.6%
Less: premiums ceded out	**(936)**	(690)	35.7%
Net written premiums and policy fees	**111,712**	111,304	0.4%
Net change in unearned premiums liabilities	**(77)**	51	N/A
Net premiums earned and policy fees	**111,635**	111,355	0.3%
Investment income	**32,134**	45,069	-28.7%
Other income	**1,027**	1,494	-31.3%
Total	**144,796**	157,918	-8.3%

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees amounted to RMB112,648 million, representing an increase of 0.6% as compared to last year, mainly due to the increase of renewal premiums.

Premiums ceded out

During the reporting period, premiums ceded out amounted to RMB936 million, representing an increase of 35.7% as compared to last year, mainly due to the growth of the ceded out business.

Investment income

During the reporting period, investment income amounted to RMB32,134 million, representing a decrease of 28.7% as compared to last year, mainly due to the decrease in realized gains on investment assets.

Other income

During the reporting period, other income amounted to RMB1,027 million, representing a decrease of 31.3% as compared to last year, mainly due to the fact that New China Health has changed from a subsidiary to a joint venture, resulting in a decrease in the subsidiary income.

2. *Insurance business expenditures and other expenses*

Unit: RMB in millions

For the 12 months ended 31 December	**2016**	2015	Change
Insurance benefits and claims	**(108,894)**	(118,719)	-8.3%
Claims and net change in outstanding claims liabilities	**(1,221)**	(1,044)	17.0%
Life insurance death and other benefits	**(80,375)**	(77,820)	3.3%
Increase in long-term insurance contracts liabilities	**(27,298)**	(39,855)	-31.5%
Investment contracts benefits	**(1,067)**	(1,331)	-19.8%
Commission and brokerage expenses	**(13,538)**	(10,679)	26.8%
Administrative expenses	**(13,081)**	(12,655)	3.4%
Other expenses	**(428)**	(1,430)	-70.1%
Total	**(137,008)**	(144,814)	-5.4%

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities amounted to RMB1,221 million, representing an increase of 17.0% as compared to last year, mainly due to the increase in expenditure on short term insurance claims.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits amounted to RMB80,375 million, representing an increase of 3.3% as compared to last year, mainly due to the increase in maturities and annuities.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities amounted to RMB27,298 million, representing a decrease of 31.5% as compared to last year, mainly due to the business structure changes, increase in claims payment and decrease in investment income.

Investment contracts benefits

During the reporting period, investment contracts benefits amounted to RMB1,067 million, representing a decrease of 19.8% as compared to last year, mainly due to the decrease of interest payments of universal insurance business.

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses amounted to RMB13,538 million, representing an increase of 26.8% as compared to last year, mainly due to the adjustments on product structure and increase in individual channel first year premiums.

Administrative expenses

During the reporting period, administrative expenses amounted to RMB13,081 million, representing an increase of 3.4% as compared to last year, mainly due to the increase in salary and welfare expenses.

Other expenses

During the reporting period, other expenses amounted to RMB428 million, representing a decrease of 70.1% as compared to last year, mainly due to the decrease in tax and surcharges from investment business as well as the influence of change from business tax to value added tax.

3. *Income tax*

During the reporting period, the income tax expenses were RMB1,539 million, representing a decrease of 51.6% as compared to last year, primarily due to the decrease in taxable income.

4. *Net profit*

During the reporting period, the Company achieved RMB4,942 million of the net profit attributable to the shareholders of the Company, representing a decrease of 42.5% as compared to last year, primarily due to the significant decrease of investment income and the changes over the discount rate assumption of reserves of traditional insurance contracts.

5. *Other comprehensive income*

During the reporting period, other comprehensive income was negative RMB2,741 million, while it was RMB1,530 million in the same period of last year, mainly due to the decrease of other comprehensive income as a result of the decrease in carrying amount of available-for-sale financial assets in the reporting period.

(III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

For the 12 months ended 31 December	**2016**	2015	Change
Net cash flows from operating activities	**7,330**	7,449	-1.6%
Net cash flows from investing activities	**(26,314)**	39,809	N/A
Net cash flows from financing activities	**18,935**	(48,099)	N/A

1. Net cash flows from operating activities

Net cash flows from operating activities of the Company in 2016 and 2015 amounted to RMB7,330 million and RMB7,449 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contracts in 2016 and 2015 amounted to RMB112,458 million and RMB112,453 million respectively. The cash premiums received is basically identical to last year over the same period.

Cash outflows from operating activities of the Company in 2016 and 2015 amounted to RMB109,011 million and RMB107,572 million respectively. Cash outflows from operating activities of the Company were primarily comprised of benefits and claims expenses paid in cash, the net decrease in investment and deposit of the insured, commission and brokerage expenses, cash paid to or for employees, tax paid and other cash payments related to operating activities. Benefits and claims expenses paid in cash from the existing insurance contracts in 2016 and 2015 amounted to RMB82,160 million and RMB78,849 million respectively, and the above changes were primarily influenced by the Company's business development and the benefits and claims expenses paid.

2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2016 and 2015 amounted to negative RMB26,314 million and RMB39,809 million respectively. Cash inflows from investing activities of the Company in 2016 and 2015 amounted to RMB362,948 million and RMB477,610 million respectively. Cash inflows from investing activities of the Company were primarily comprised of recovery of cash that was invested, investment returns in cash, and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2016 and 2015 amounted to RMB389,262 million and RMB437,801 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 agreement to resell, and cash paid for the purchase and construction 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 2016 and 2015 amounted to RMB18,935 million and negative RMB48,099 million respectively. Cash inflows from financing activities of the Company in 2016 and 2015 amounted to RMB4,767,500 million and RMB3,067,746 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.

Cash outflows from financing activities of the Company in 2016 and 2015 amounted to RMB4,748,565 million and RMB3,115,845 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, income from investment contracts business, proceeds from sales and maturity of investment assets, and investment income. The liquidity risks with respect to these cash inflows primarily arose from surrenders of contract holders and policyholders, defaults by debtors, as well as the fluctuation of interest rate and other market volatilities. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provide us with liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB14,230 million. The term deposits of the Company amounted to RMB79,845 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. In addition, the investment portfolio of the Company also provides us with liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB436,810 million, and the book value of equity financial assets, excluding investment in associates and joint ventures, amounted to RMB107,693 million.

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

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

IV. ANALYSIS BY COMPONENT

(I) Solvency

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

Unit: RMB in millions

	31 December 2016	31 December 2015	**Reason (s) of Change**
Core capital	**168,616**	145,680	Gains or losses for the current reporting period, changes in fair value of investment assets and growth in insurance business
Actual capital	**182,616**	164,680	The above reasons and redemptions of subordinated term debts
Minimum capital	**64,917**	58,613	Growth and structural change in insurance and investment business
Core solvency margin ratio[1]	**259.74%**	248.54%	
Comprehensive solvency margin ratio[1]	**281.30%**	280.96%	

Note:

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

(II) Gearing Ratio

	31 December 2016	31 December 2015
Gearing ratio	**91.5%**	91.2%

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. etc.

Unit: RMB in millions

For the 12 months ended 31 December	**2016**	2015
Swiss Reinsurance Company Ltd. Beijing Branch	**638**	462
China Life Reinsurance Company Ltd.	**284**	213
Others[1]	**14**	15
Total	**936**	690

Note:

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

V. FUTURE PROSPECTS

In 2017, the supply-side restructuring of China will be further deepened, which will bolster the steady growth of economy and lay a foundation for the development of insurance industry. Going forward, the implementation of "New National Ten" and supporting policies thereof will still be the biggest bonus to the development of life insurance, and businesses such as commercial and policy-related health insurances and pension insurance will see substantial expansion. The traditional profit-making model of the industry based on interest spread income is changing, as market players attach more importance to long-term development and growth of value.

In this context, the Company will uphold progress in stability and deeper transformation and development, push forward various works firmly, and strive to achieve decisive victory for development in transformation in 2017. In this way, a solid foundation can be laid to usher in new development trends in future. The detail measures include:

Firstly, the Company will sharpen focus on key businesses. While maintaining the scale of premiums, it will promote continuous value growth of businesses by highlighting regular premium and protection-type insurances.

Secondly, the Company will strengthen its sales force. It will advance the transformation of sales team development patterns, centering on the Fundamental Management Measures, and it will forge a sales force with high performance rate, high productivity and high retention, by intensifying sales team building and training as well as promoting their professionalism and sales skills.

Thirdly, the Company will boost the quality of customer services. It will expedite the construction of information platforms and make services more automatic, so as to enhance the efficiency of services. It will also form up professional teams of customer services and provide featured value-added services to improve customer experience.

Fourthly, the Company will persist in prudent investment strategy. To pursue absolute returns, it will actively seek investment opportunities at home and abroad with definite returns. With respect to equity investment, it will pay attention to investments with manageable risks and definite returns. For fixed income investment, it will increase long-duration interest bearing debt and highly-rated credit debt and financial products in the portfolio. Meanwhile, strict control will be exercised over the credit risk and market risk; management after investment will be further strengthened; and risk-based disposal plans will be prepared in advance.

Fifthly, the Company will strengthen its ability of risk prevention. It will refine the risk prevention mechanism by optimizing the risk management structure for C-ROSS and stepping up solvency management, and it will make more efforts to prevent investment risks and liquidity risks. In this way, a healthy and stable environment will be fostered for the Company to develop.

ANNUAL RESULTS[1]

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED

For the year ended 31 December 2016

Unit: RMB in millions

	Notes	For the year ended 31 December 2016	2015
REVENUES			
Gross written premiums and policy fees	*1*	**112,648**	111,994
Less: premiums ceded out		**(936)**	(690)
Net written premiums and policy fees		**111,712**	111,304
Net change in unearned premiums liabilities		**(77)**	51
Net premiums earned and policy fees		**111,635**	111,355
Investment income	*2*	**32,134**	45,069
Other income	*3*	**1,027**	1,494
Total revenues		**144,796**	157,918
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims	*4*		
Claims and net change in outstanding claims liabilities		**(1,221)**	(1,044)
Life insurance death and other benefits		**(80,375)**	(77,820)
Increase in long-term insurance contract liabilities		**(27,298)**	(39,855)
Investment contract benefits		**(1,067)**	(1,331)
Commission and brokerage expenses		**(13,538)**	(10,679)
Administrative expenses	*5*	**(13,081)**	(12,655)
Other expenses	*6*	**(428)**	(1,430)
Total benefits, claims and expenses		**(137,008)**	(144,814)
Share of profits and losses of associates and joint ventures		**148**	535
Finance costs	*7*	**(1,454)**	(1,857)
Profit before income tax		**6,482**	11,782
Income tax expense	*8*	**(1,539)**	(3,180)
Net profit for the year		**4,943**	8,602
Net profit for the year attributable to:			
– Owners of the parent	*9*	**4,942**	8,601
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	*10*	**1.58**	2.76
Diluted	*10*	**1.58**	2.76

Note:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – AUDITED (CONTINUED)
For the year ended 31 December 2016

Unit: RMB in millions

	For the year ended 31 December 2016	2015
Net profit for the year	**4,943**	8,602
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Gains/(losses) arising from fair value changes	**(10,964)**	21,758
Gains transferred to profit or loss from other comprehensive income	**(1,333)**	(16,092)
Impairment transferred to profit or loss from other comprehensive income	**1,356**	610
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**7,416**	(4,244)
Currency translation differences	**9**	6
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**(143)**	–
Income tax relating to components of other comprehensive income	**918**	(508)
Total other comprehensive income for the year, net of tax	**(2,741)**	1,530
Total comprehensive income for the year	**2,202**	10,132
Total comprehensive income for the year attributable to:		
– Owners of the parent	**2,201**	10,131
– Non–controlling interests	**1**	1

Notes:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

	For the year ended 31 December **2016**	2015
Gross written premiums		
– Long–term insurance contracts	**109,348**	109,028
– Short–term insurance contracts	**3,212**	2,831
Subtotal	**112,560**	111,859
Policy fees		
– Investment contracts	**88**	135
Gross written premiums and policy fees	**112,648**	111,994

2 INVESTMENT INCOME

Unit: RMB in millions

	For the year ended 31 December **2016**	2015
Held-to-maturity investments		
– Interest income	**8,584**	8,302
Available-for-sale financial assets		
– Interest income	**7,758**	6,558
– Dividend income	**5,036**	1,537
– Net realized gains	**1,221**	16,072
– Impairment losses on equity financial assets	**(1,356)**	(610)
Financial assets at fair value through profit or loss		
– Interest income	**236**	271
– Dividend income	**446**	770
– Fair value losses	**(373)**	(9)
– Net realized gains/(losses)	**22**	(46)
Interest income from loans and receivables		
– Interest income	**3,410**	3,161
Interest income from bank deposits	**5,607**	8,054
Interest income from policy loans	**1,030**	979
Interest income from financial assets purchased under agreements to resell	**27**	29
Effect of the introduction of strategic investors to New China Health	**481**	–
Others	**5**	1
Total	**32,134**	45,069
Including:		
Investment income based on the effective interest method	**26,652**	27,354
Investment income from listed investments	**2,360**	15,061
Investment income from unlisted investments	**29,774**	30,008
Total	**32,134**	45,069

3 OTHER INCOME

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Rental income from investment properties	**173**	135
Government grants	**11**	26
Reversal of provision	**–**	–
Exchange gain	**475**	305
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	**45**	571
Other	**323**	457
Total	**1,027**	1,494

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Gross		
Claims and change in outstanding claims liabilities	**1,372**	1,202
Life insurance death and other benefits	**82,195**	77,967
Increase in long-term insurance liabilities	**25,996**	40,181
Total	**109,563**	119,350
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(151)**	(158)
Life insurance death and other benefits	**(1,820)**	(147)
Increase in long-term insurance liabilities	**1,302**	(326)
Total	**(669)**	(631)
Net		
Claims and change in outstanding claims liabilities	**1,221**	1,044
Life insurance death and other benefits	**80,375**	77,820
Increase in long-term insurance liabilities	**27,298**	39,855
Total	**108,894**	118,719

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Employee benefit expenses (including directors' emoluments)[1]	**9,721**	8,520
Operating lease expense	**848**	837
Depreciation and amortization	**496**	436
Entertainment fees	**360**	564
Travel and conference fees	**347**	711
Official fees	**279**	302
Insurance guarantee fund	**197**	189
Promotional printing cost	**159**	227
Postal fees	**126**	143
Electronic equipment operating costs	**102**	75
Advertising fees	**73**	98
Vehicle use fees	**50**	63
Supervision fees	**48**	48
Auditors' remuneration and consulting fees	**20**	26
Others	**255**	416
Total	**13,081**	12,655

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Salary and welfare expenses	**7,888**	6,954
Social security costs – pension	**714**	624
Social security costs – other	**535**	449
Including:		
Supplementary defined contribution pension expense	**110**	100
Supplementary medical expense	**13**	16
Housing fund	**389**	333
Employee education and labor union fees	**195**	160
Total	**9,721**	8,520

6 OTHER EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Tax and surcharges	**168**	985
Depreciation and amortization	**82**	71
Reversal of provision for receivable from Tian huan Real Estate	**(16)**	–
Reversal of provision for prepayment for Tai zhou and Yong zhou cases	**–**	(3)
Others	**194**	377
Total	**428**	1,430

7 FINANCE COSTS

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Interest expenses for financial assets sold under agreements to repurchase	**558**	888
Interest expenses for the subordinated debts	**896**	969
Total	**1,454**	1,857

8 TAXATION

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

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

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Current tax	**1,707**	2,822
Deferred tax	**(168)**	358
Total income tax	**1,539**	3,180

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

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
Profit before income tax	**6,482**	11,782
Tax computed at the statutory tax rate in China	**1,621**	2,945
Non-taxable income (i)	**(1,837)**	(893)
Expenses not deductible for tax purpose (i)	**1,729**	1,204
Effect of unrecognized deferred tax assets arising from deductible temporary differences	**29**	(70)
Adjustment to the current tax of prior years	**–**	(2)
Effect of different tax rate of a subsidiary	**(3)**	(4)
Income tax computed at effective tax rate	**1,539**	3,180

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

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

Unit: RMB in millions

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2015	(2)	38	36
Charged to net profit	(1)	(29)	(30)
Charged to other comprehensive income	–	–	–
As at 31 December 2015	(3)	9	6
As at 1 January 2016	**(3)**	**9**	**6**
Charged to net profit	**(3,780)**	**3,149**	**(631)**
Charged to other comprehensive income	**2,736**	**(1,818)**	**918**
Charged to other reserve	**–**	**15**	**15**
As at 31 December 2016	**(1,047)**	**1,355**	**308**
Net deferred tax liabilities			
As at 1 January 2015	(2,305)	2,288	(17)
Charged to net profit	(1)	(327)	(328)
Charged to other comprehensive income	(1,569)	1,061	(508)
As at 31 December 2015	(3,875)	3,022	(853)
As at 1 January 2016	**(3,875)**	**3,022**	**(853)**
Charged to net profit	**3,875**	**(3,076)**	**799**
Charged to other comprehensive income	**–**	**–**	**–**
As at 31 December 2016	**–**	**(54)**	**(54)**

Unit: RMB in millions

	As at 31 December 2016	As at 31 December 2015
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**1,132**	2,897
– deferred tax assets to be recovered after 12 months	**511**	165
Subtotal	**1,643**	3,062
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(831)**	(3,591)
– deferred tax liabilities to be settled after 12 months	**(558)**	(318)
Subtotal	**(1,389)**	(3,909)
Total net deferred income tax assets	**308**	6
Total net deferred income tax liabilities	**(54)**	(853)

(4) **Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The amount of deductible unused tax losses for which no deferred tax asset is recognized is as follows:**

Unit: RMB in millions

	As at 31 December 2016	As at 31 December 2015
Deductible losses	**364**	495
Total	**364**	495

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to Shareholders of the Company for the year ended 31 December 2016 was RMB4,942 million (for the year ended 31 December 2015: RMB8,601 million) which is included in the consolidated financial statements of the Group.

10 EARNINGS PER SHARE

(1) Basic

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

	For the year ended 31 December	
	2016	2015
Net profit attributable to shareholders of the Company (RMB in millions)	**4,942**	8,601
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**1.58**	2.76

(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 2016(for the year ended 31 December 2015: same).

11 DIVIDENDS

Pursuant to a resolution passed at the Shareholders' general meeting on 27 June 2016, a final dividend of RMB0.28 per ordinary share (inclusive of tax) totalling RMB873 million was declared. The dividend has been recorded in the consolidated financial statements for the year ended 31 December 2016.

Pursuant to a resolution passed at the meeting of the Board on 29 March 2017, a final dividend of RMB0.48 per ordinary share (including tax) totalling approximately RMB1,497 million for the year ended 31 December 2016 was proposed for Shareholders' approval at the annual general meeting. The dividend has not been recorded in the consolidated financial statements for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED

As at 31 December 2016

Unit: RMB in millions

	As at 31 December 2016	2015
ASSETS		
Property, plant and equipment	**7,849**	6,827
Investment properties	**3,395**	2,177
Intangible assets	**1,792**	1,693
Investments in associates and joint ventures	**4,575**	3,626
Debt financial assets	**436,810**	348,281
– Held-to-maturity	**195,126**	177,502
– Available-for-sale	**184,045**	116,668
– At fair value through profit or loss	**3,404**	3,389
– Loans and receivables	**54,235**	50,722
Equity financial assets	**107,693**	110,696
– Available-for-sale	**99,263**	100,229
– At fair value through profit or loss	**8,430**	10,467
Term deposits	**79,845**	127,679
Statutory deposits	**816**	716
Policy loans	**23,831**	20,879
Financial assets purchased under agreements to resell	**2,325**	91
Accrued investment income	**9,669**	9,816
Premiums receivable	**1,846**	1,525
Deferred tax assets	**308**	6
Reinsurance assets	**2,693**	3,360
Other assets	**1,504**	9,284
Cash and cash equivalents	**14,230**	13,904
Total assets	**699,181**	660,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AUDITED (CONTINUED)

As at 31 December 2016

Unit: RMB in millions

	As at 31 December	
	2016	2015
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contract liabilities	**541,424**	522,799
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**640**	559
– Unearned premiums liabilities	**1,164**	1,083
Investment contracts	**30,071**	27,166
Borrowings	**14,000**	19,000
Financial liabilities at fair value through profit or loss	**9**	22
Financial assets sold under agreements to repurchase	**39,246**	19,816
Benefits, claims and surrenders payable	**2,950**	1,624
Premiums received in advance	**3,042**	2,823
Reinsurance liabilities	**215**	95
Provisions	**29**	29
Other liabilities	**5,899**	5,843
Current income tax liabilities	**1,313**	1,007
Deferred tax liabilities	**54**	853
Total liabilities	**640,056**	602,719
Shareholders' equity		
Share capital	**3,120**	3,120
Reserves	**31,646**	33,536
Retained earnings	**24,352**	21,179
Equity attributable to owners of the parent	**59,118**	57,835
Non-controlling interests	**7**	6
Total equity	**59,125**	57,841
Total liabilities and equity	**699,181**	660,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – AUDITED

For the year ended 31 December 2016

Unit: RMB in millions

	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended 31 December 2015						
As at 1 January 2015	3,120	30,300	14,939	48,359	5	48,364
Net profit for the year	–	–	8,601	8,601	1	8,602
Other comprehensive income	–	1,530	–	1,530	–	1,530
Total comprehensive income	–	1,530	8,601	10,131	1	10,132
Dividends paid	–	–	(655)	(655)	–	(655)
Appropriation to reserves	–	1,706	(1,706)	–	–	–
Total transactions with owners	–	1,706	(2,361)	(655)	–	(655)
As at 31 December 2015	3,120	33,536	21,179	57,835	6	57,841
For the year ended 31 December 2016						
As at 1 January 2016	**3,120**	**33,536**	**21,179**	**57,835**	**6**	**57,841**
Net profit for the year	**–**	**–**	**4,942**	**4,942**	**1**	**4,943**
Other comprehensive income	**–**	**(2,741)**	**–**	**(2,741)**	**–**	**(2,741)**
Total comprehensive income	**–**	**(2,741)**	**4,942**	**2,201**	**1**	**2,202**
Effect of the introduction of strategic investors to New China Health	**–**	**(20)**	**20**	**–**	**–**	**–**
Others	**–**	**(45)**	**–**	**(45)**	**–**	**(45)**
Dividends paid	**–**	**–**	**(873)**	**(873)**	**–**	**(873)**
Appropriation to reserves	**–**	**916**	**(916)**	**–**	**–**	**–**
Total transactions with owners	**–**	**916**	**(1,789)**	**(873)**	**–**	**(873)**
As at 31 December 2016	**3,120**	**31,646**	**24,352**	**59,118**	**7**	**59,125**

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED
For the year ended 31 December 2016

Unit: RMB in millions

	For the year ended 31 December 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**6,482**	11,782
Adjustments for:		
Investment income	**(32,134)**	(45,069)
Finance costs	**1,454**	1,857
Net change in outstanding claims liabilities	**75**	–
Net change in unearned premiums liabilities	**77**	(51)
Increase in long-term insurance contract liabilities	**27,298**	39,855
Investment contract benefits	**1,067**	1,331
Policy fees	**(88)**	(135)
Depreciation and amortization	**578**	507
Impairment losses on other receivables	**(14)**	3
Losses on disposal of property, plant and equipment	**3**	5
Changes in operational assets and liabilities:		
Receivables and payables	**1,956**	1,542
Investment contracts	**1,976**	(2,314)
Income tax paid	**(1,400)**	(1,864)
Net cash flows from operating activities	**7,330**	7,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**5,151**	8,354
Proceeds from maturities of debt financial assets	**34,164**	50,236
Proceeds from sales of equity financial assets	**114,207**	171,667
Purchases of financial assets investments		
Purchase of debt financial assets	**(124,036)**	(58,459)
Purchase of equity financial assets	**(121,400)**	(196,611)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**3**	4
Purchase of property, plant and equipment, intangible assets and other assets	**(1,932)**	(2,475)
Interests received	**25,846**	30,425
Dividends received	**5,532**	606
Term deposits, net	**47,833**	39,635
Financial assets purchased under agreements to resell, net	**(2,232)**	1,523
Others	**(9,450)**	(5,096)
Net cash flows from investing activities	**(26,314)**	39,809

CONSOLIDATED STATEMENT OF CASH FLOWS – AUDITED (CONTINUED)

For the year ended 31 December 2016

Unit: RMB in millions

	For the year ended 31 December	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Received from investors	**–**	783
Borrowings repaid	**(5,000)**	–
Interests and dividends paid	**(1,814)**	(1,598)
Acquisition of non-controlling interest	**(10)**	–
Financial assets sold under agreements to repurchase, net	**25,759**	(47,284)
Net cash flows from financing activities	**18,935**	(48,099)
Effect of foreign exchange rate changes	**375**	242
Net decrease in cash and cash equivalents	**326**	(599)
Cash and cash equivalents		
Beginning of the year	**13,904**	14,503
End of the year	**14,230**	13,904
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**14,230**	13,821
Short deposits	**–**	83
Total of cash and cash equivalents	**14,230**	13,904

SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

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

(ii) Group insurance business

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

(iii) Other business

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

(2) Allocation basis of income and expense

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

(3) Allocation basis of assets and liabilities

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

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

Substantially all of the Group's revenues are derived from its operations in the PRC. All of the Group's assets are located in the PRC.

For the year ended 31 December 2016, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

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

Unit: RMB in millions

	For the year ended 31 December 2016				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	111,053	1,595	–	–	112,648
Less: premiums ceded out	(802)	(134)	–	–	(936)
Net written premiums and policy fees	110,251	1,461	–	–	111,712
Net change in unearned premiums liabilities	2	(79)	–	–	(77)
Net premiums earned and policy fees	110,253	1,382	–	–	111,635
Investment income	31,419	309	65	341	32,134
Including: inter-segment revenue	(2)	–	(339)	341	–
Other income	771	23	820	(587)	1,027
Including: inter-segment revenue	44	4	539	(587)	–
Total revenues	142,443	1,714	885	(246)	144,796
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(589)	(632)	–	–	(1,221)
Life insurance death and other benefits	(80,003)	(372)	–	–	(80,375)
Increase in long-term insurance contract liabilities	(27,380)	82	–	–	(27,298)
Investment contract benefits	(987)	(80)	–	–	(1,067)
Commission and brokerage expenses	(13,274)	(264)	–	–	(13,538)
Administrative expenses	(12,186)	(912)	(568)	585	(13,081)
Including: inter-segment expenses	(498)	(38)	(49)	585	–
Other expenses	(208)	(62)	(158)	–	(428)
Total benefits, claims and expenses	(134,627)	(2,240)	(726)	585	(137,008)
Share of results of associates and joint ventures	146	2	–	–	148
Finance costs	(1,344)	(110)	–	–	(1,454)
Net profit before income tax	6,618	(634)	159	339	6,482
Income tax	–	–	(1,485)	(54)	(1,539)
Including: inter-segment income tax	–	–	54	(54)	–
Net profit for the year	6,618	(634)	(1,326)	285	4,943
Segment assets	672,883	6,427	20,023	(152)	699,181
Segment liabilities	616,121	6,317	17,770	(152)	640,056

Other segment information for the year ended 31 December 2016:

Unit: RMB in millions

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

Unit: RMB in millions

	For the year ended 31 December 2015				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	110,633	1,361	–	–	111,994
Less: premiums ceded out	(528)	(162)	–	–	(690)
Net written premiums and policy fees	110,105	1,199	–	–	111,304
Net change in unearned premiums liabilities	(60)	111	–	–	51
Net premiums earned and policy fees	110,045	1,310	–	–	111,355
Investment income	44,374	551	113	31	45,069
Including: inter-segment revenue	(31)	–	–	31	–
Other income	559	26	1,385	(476)	1,494
Including: inter-segment revenue	18	1	457	(476)	–
Total revenues	154,978	1,887	1,498	(445)	157,918
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(491)	(553)	–	–	(1,044)
Life insurance death and other benefits	(77,637)	(183)	–	–	(77,820)
Increase in long-term insurance contract liabilities	(39,756)	(99)	–	–	(39,855)
Investment contract benefits	(1,252)	(79)	–	–	(1,331)
Commission and brokerage expenses	(10,467)	(212)	–	–	(10,679)
Administrative expenses	(11,681)	(833)	(617)	476	(12,655)
Including: inter-segment expenses	(406)	(51)	(19)	476	–
Other expenses	(1,049)	(62)	(319)	–	(1,430)
Total benefits, claims and expenses	(142,333)	(2,021)	(936)	476	(144,814)
Share of results of associates and joint ventures	516	6	13	–	535
Finance costs	(1,747)	(110)	–	–	(1,857)
Net profit before income tax	11,414	(238)	575	31	11,782
Income tax	–	–	(3,180)	–	(3,180)
Net profit for the year	11,414	(238)	(2,605)	31	8,602
Segment assets	630,545	6,185	23,939	(109)	660,560
Segment liabilities	573,111	5,945	23,772	(109)	602,719

Other segment information for the year ended 31 December 2015:

Unit: RMB in millions

Other segment information	Insurance		Others	Elimination	Total
	Individual	Group			
Capital expenditure	–	–	2,475	–	2,475
Depreciation and amortization	(451)	(32)	(24)	–	(507)
Interest income	26,944	335	75	–	27,354
Impairment	(604)	(9)	–	–	(613)
Share of profits of associates and joint ventures under the equity method	516	6	13	–	535

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2016

Amendments	Content
IFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*
IAS 16 and IAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortization*
IAS 1 Amendments	*Disclosure Initiative*
IFRS 10, IFRS 12 and IAS 28 Amendments	*Investment Entities: Applying the Consolidation Exception*
IFRS 14	*Regulatory Deferral Accounts*
IAS 16 and IAS 41 Amendments	*Agriculture: Bearer Plants*
Annual Improvements 2012-2014 Cycle	*Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34*

IFRS 11 Amendments – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments have had no significant impact on the Group's consolidated financial statements since the Group had no joint operation as at 31 December 2016.

IAS 16 and IAS 38 Amendments – Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no significant impact on the Group's consolidated financial statements given that the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

IAS 1 Amendments – Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1.
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
- that entities have flexibility as to the order in which they present the notes to financial statements.
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group's consolidated financial statements have complied with the amendments.

IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*.

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow an investor that is not itself an investment entity and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have had no significant impact on the Group's consolidated financial statements as the Group does not apply the consolidation exception.

IFRS 14 – Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is not applicable to the regulatory deferral accounts, this standard has had no impact on the Group's consolidated financial statements.

IAS 16 and IAS 41 Amendments – Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 *Agriculture* change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16, including the choice between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41.

In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, instead of IAS 41. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments have had no significant impact on the Group's consolidated financial statements since the Group did not have any bearer plants as at 31 December 2016.

Annual Improvements 2012-2014 Cycle – Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

These improvements are effective for annual periods beginning on or after 1 January 2016, which are not relevant to the preparation of the Group's consolidated financial statements. They include:

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 – Financial Instruments: Disclosures

(i) Servicing contracts

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendments clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. These amendments must be applied retrospectively.

IAS 19 – Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 – Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

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

(b) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2016

Standards/ Amendments	Content	Effective for annual periods beginning on or after
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 10 and IAS 28 Amendments	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	*Note*
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 15 Amendments	*Clarifications to IFRS 15 Revenue from Contracts with Customers*	1 January 2018
IFRS 16	*Leases*	1 January 2019
IAS 7 Amendments	*Disclosure Initiative*	1 January 2017
IAS 12 Amendments	*Recognition of Deferred Tax Assets for Unrealized Losses*	1 January 2017

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

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

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

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

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligations associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is currently assessing the impacts on the Group's consolidated financial statements.

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

Amendments to IFRS 4 address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard. The amendments introduce two alternative options that allow entities issuing contracts within the scope of IFRS 4 for the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time. The Group is currently performing an assessment of the amendments to conclude which approach to apply.

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 of the standard upon adoption and expects that the adoption will have impacts on the classification and measurement of the Group's financial assets.

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

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

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In June 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. IFRS 15 and the amendments are effective for annual periods beginning on or after 1 January 2018. IFRS 15 is not applied to insurance contracts and financial instruments, which are the main source of the Group's revenue. The Group is currently assessing the impacts on the Group's consolidated financial statements.

IFRS 16 – Leases

IFRS 16 replaces IAS 17 Leases, the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group is currently assessing the impacts on the Group's consolidated financial statements.

IAS 7 Amendments – Disclosure Initiative

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

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

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. The Group expects to adopt the amendments from 1 January 2017.

EMBEDDED VALUE

1. KEY ASSUMPTIONS

In determining the embedded value and the value of one year's new business as at 31 December 2016, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

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

(2) Investment Returns

The investment return assumptions as at 31 December 2016 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and the Value of One Year's New Business as at 31 December 2016			
	2017	**2018**	**2019**	**2020+**
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000 to 2003)".

(4) Morbidity

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

(5) Discontinuance Rates

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

(6) Expenses

Unit cost assumptions have been developed based on our actual experience in 2016 and expected future outlook. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling Fees

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

(8) Policyholder Bonuses and Dividends

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

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds.

In addition, taxes and surcharges for short-term health and accident business is based on related tax regulation.

(10) Cost of Required Capital

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

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

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

2. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2016 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	31 December 2016	31 December 2015 (Restated)
Adjusted Net Worth	**81,313**	76,817
Value of In-Force Business Before Cost of Required Capital Held	**65,084**	50,510
Cost of Required Capital Held	**(16,947)**	(16,677)
Value of In-Force Business After Cost of Required Capital Held	**48,137**	33,834
Embedded Value	**129,450**	110,650
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Required Capital Held	**13,295**	10,313
Cost of Required Capital Held	**(2,846)**	(2,650)
Value of One Year's New Business After Cost of Required Capital Held	**10,449**	7,663

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2016 and 31 December 2015 were RMB46,689 million and RMB51,202 million respectively.

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

4. Results in column "Restated" are the 2015 results restated for adopting the "Appraisal of Embedded Value" standard and 2016 economic assumptions.

Unit: RMB in millions

Valuation Date	**31 December 2016**	31 December 2015 (Restated)
Value of One Year's New Business by Distribution Channel		
Individual insurance channel	**10,271**	7,780
Bancassurance channel	**235**	(58)
Group insurance channel	**(57)**	(59)
Total	**10,449**	7,663

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2016 and 31 December 2015 were RMB46,689 million and RMB51,202 million respectively.

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

4. Results in column "Restated" are the 2015 results restated for adopting the "Appraisal of Embedded Value" standard and 2016 economic assumptions.

5. The individual insurance channel includes both the previous individual insurance agent channel and the previous service and business development channel .

3. ANALYSIS OF CHANGE

The analysis of change in embedded value from 31 December 2015 to 31 December 2016, calculated at a risk discount rate of 11.5%, is shown below:

Unit: RMB in millions

Analysis of Change in EV from 31 December 2015 to 31 December 2016 at a Risk Discount Rate of 11.5%

1.	**EV at the beginning of period**	**103,280**
2.	EV Adjustment at the beginning of period	13,224
3.	Impact of Value of New Business	10,449
4.	Expected Return	11,100
5.	Operating Experience Variances	1,953
6.	Economic Experience Variances	(4,414)
7.	Operating Assumption Changes	292
8.	Economic Assumption Changes	(6,325)
9.	Capital Injection/Shareholder Dividend Payment	(873)
10.	Others	293
11.	Value Change Other Than Life Insurance Business	472
12.	**EV at the end of period**	**129,450**

Note: Numbers may not be additive due to rounding.

Items (2) to (11) are explained below:

2. Value change caused by the change of appraisal methodology under the "Appraisal of Embedded Value" standard at the beginning of period.

3. Value of new business as measured at the point of issuing.

4. Expected return on adjusted net worth and value of in-force business during the relevant period.

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

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

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

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

9. Capital injection and other dividend payment to shareholders.

10. Other miscellaneous items.

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

4. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, and all other assumptions remain 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 2016

Scenarios	**VIF after Cost of Required Capital Held**	**the Value of One Year's New Business after Cost of Required Capital Held**
Base Scenario	48,137	10,449
Risk Discount Rate at 12%	45,625	9,916
Risk Discount Rate at 11%	50,814	11,017
Investment Return 50bps higher	57,630	12,072
Investment Return 50bps lower	38,614	8,820
Expenses 10% higher (110% of Base)	46,605	9,454
Expenses 10% lower (90% of Base)	49,669	11,444
Discontinuance Rates 10% higher (110% of Base)	46,785	9,739
Discontinuance Rates 10% lower (90% of Base)	49,443	11,154
Mortality 10% higher (110% of Base)	47,705	10,367
Mortality 10% lower (90% of Base)	48,572	10,532
Morbidity and Loss Ratio 10% higher (110% of Base)	46,462	10,044
Morbidity and Loss Ratio 10% lower (90% of Base)	49,823	10,856
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	43,575	10,114

CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

RECOMMENDATION OF 2016 ANNUAL DIVIDEND

The Company plans to distribute an annual dividend of RMB0.48 (including tax) per share to all of the A Shareholders and H Shareholders for 2016, totaling approximately RMB1,497 million, representing approximately 30.3% of the net profit attributable to Shareholders of the Company as contained in the 2016 financial statements of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the articles of association of the Company.

The aforementioned proposal will be proposed to the Shareholders for consideration and approval on the annual general meeting. If approved, the Company expects that the H share register of members of the Company will be closed from Thursday, 13 July 2017 to Tuesday, 18 July 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the 2016 annual dividend, H Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 July 2017. The Company expects that the 2016 annual dividend will be distributed on Thursday, 10 August 2017 to all the H Shareholders whose names appear on the register of members of the Company on Tuesday, 18 July 2017.

SUBSEQUENT EVENTS

To ensure the Company's sufficient solvency ability and to broaden financing channels, and according to the ninth meeting of the sixth session of the Board on 24 February 2017, the Company may issue domestic capital supplement bond and other debt financing instruments in compliance with regulatory requirements not exceeding RMB15 billion, and may issue overseas debt financing instruments in the amount not exceeding USD2 billion or equivalent amount in other foreign currencies. The term of authorization shall start from the date of the first extraordinary general meeting of 2017 till the end of the annual general meeting of 2019 of the Company. The issue of domestic and overseas debt financing instruments is still subject to approval of the general meeting and regulatory authorities.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2016. Ernst & Young, the external auditor of the Company, has audited the Company's consolidated financial statements for the year ended 31 December 2016.

The announcement of annual results is based on the Group's audited consolidated financial statements for the year ended 31 December 2016 as agreed with the auditor of the Company.

PUBLICATION OF ANNUAL REPORT

The Company's 2016 annual report will be published on the Company's website (www.newchinalife.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
New China Life Insurance Company Ltd.
WAN Feng
Chairman

Beijing, China, 29 March 2017

As at the date of this announcement, the executive directors of the Company are WAN Feng and LI Zongjian; the non-executive directors are LIU Xiangdong, CHEN Yuanling, WU Kunzong, HU Aimin and DACEY John Robert; and the independent non-executive directors are LI Xianglu, ZHENG Wei, FONG Chung Mark, CHENG Lie and NEOH Anthony Francis.

Note: Unless otherwise specified, the announcement of results of the Company is presented in RMB.