

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

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

Stock Code: 01336

Annual Report  
2016





# Important Information

1. The board of directors, the board of supervisors and the directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.
2. The 2016 Annual Report of the Company was considered and approved at the tenth meeting of the sixth session of the Board of the Company on 29 March 2017, which 12 directors were required to attend and 10 of them attended in person. Director HU Aimin authorized director WU Kunzong, independent non-executive director NEOH Anthony Francis authorized independent non-executive director CHENG Lie to attend the meeting and vote on behalf of them.
3. The Company plans to distribute an annual dividend of RMB0.48 (tax included) per share to all of H shareholders and A shareholders for 2016, being approximately RMB1,497 million in total, representing approximately 30.3% of the net profit attributable to the 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. The above dividend distribution plan is subject to the approval of the shareholders at the general meeting.
4. Ernst & Young conducted the audit on the 2016 consolidated financial statements of the Company in accordance with the International Standards on Auditing and issued the standard unqualified audit report.
5. Mr. WAN Feng, the Chairman of the Company, Mr. YANG Zheng, the Chief Financial Officer and the person in charge of finance of the Company, Mr. GONG Xingfeng, the Chief Actuary of the Company and Ms. MENG Xia, the officer in charge of the Accounting Department of the Company guarantee the correctness, accuracy and completeness of the financial report in the 2016 Annual Report.
6. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any representation or warranty upon its future performance. Investors and other related parties shall have enough risk awareness and understand the difference among the plan, estimation and commitment.

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## Section 1

# Definitions and Material Risk Alert

### Definitions

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

the Company, NCI	New China Life Insurance Company Ltd.
Fundamental Management Measures	Fundamental Management Measures on Individual Insurance Agents of the Company
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Yunnan Agency	Yunnan New China Insurance Agency Co., Ltd., a subsidiary of the Company
Health Technology	New China Village Health Technology (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Shanggu Real Estate	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd., a subsidiary of the Company
New China Health	New China Life Excellent Health Investment Management Co., Ltd.
Zijin Century	Beijing Zijin Century Real Estate Co., Ltd.
MJ Health	Beijing MJ Health Screening Co., Ltd.
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Haoran Power	Beijing Century Haoran Power Technology Development Co., Ltd., a subsidiary of the Company
Guangzhou Yuerong	Guangzhou Yuerong Project Construction Management Co., Ltd., a subsidiary of the Company
Hainan Seniors	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., a subsidiary of the Company
Weiyuanzhou	Nanjing Weiyuanzhou Industrial Co., Ltd.
China Jinmao	China Jinmao Holdings Group Limited
New China Capital International	New China Capital International Management Limited

## Section 1

### Definitions and Material Risk Alert

Huijin	Central Huijin Investment Ltd.
Baowu Group	China Baowu Steel Group Corporation Limited
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
PRC, China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
PRC GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Interpretation No. 2	Interpretation No. 2 on Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 7 August 2008
Articles of Association	The articles of association of New China Life Insurance Company Ltd., approved by the Annual General Meeting of 2015 of the Company on 27 June 2016, and became effective as approved by the CIRC on 24 August 2016
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

**Material Risk Alert:** The risks of the Company primarily include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk and liquidity risk, etc.. The Company has taken various measures to effectively manage and control various risks. Please refer to Section 12 "Risk Management" of this report for details.

## Section 2

# Corporate Information

Legal Name in Chinese: 新華人壽保險股份有限公司

Abbreviation in Chinese: 新華保險

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

Abbreviation in English: NCI

Legal Representative: WAN Feng

Board Secretary/Joint Company Secretary: GONG Xingfeng

Securities Representative: WANG Hongli

Tel: 86-10-85213233

Fax: 86-10-85213219

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

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

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

Fax: 852-35898555

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

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

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

Postal Code: 102100

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

Postal Code: 100022

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

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

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

Registered Capital: RMB3,119,546,600

## Section 2

### Corporate Information

Customer Service and Complaint Tel: 95567

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

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

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

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

Stock Exchange for A Share Listing: The Shanghai Stock Exchange

Stock Name for A Share: 新華保險

Stock Code for A Share: 601336

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

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

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

Stock Name for H Share: NCI

Stock Code for H Share: 01336

H Share Registrar: Computershare Hong Kong Investor Services Limited

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

Date of Initial Registration: 28 September 1996

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

Unified Social Credit Code: 911100001000238753

Domestic Auditor: Ernst & Young Hua Ming LLP

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

Signing Certified Public Accountants: GUO Hangxiang and YU Yinyin

International Auditor: Ernst & Young

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

Domestic Legal Advisor: Commerce & Finance Law Offices

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

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer LLP

Address: 11th Floor, Two Exchange Square, Central, Hong Kong

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

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



## Section 3

# Business Overview

In 2016, with the intensive introduction of insurance regulatory policies, the activities of the entities in the market were gradually regulated while a return to protection became an industry consensus. As a major national life insurance company, the Company was primarily engaged in the provision of life insurance products and services to individuals and institutions through its nationwide distribution network. Meanwhile, the Company also managed and utilized its insurance assets through its subsidiaries, i.e. Asset Management Company and Asset Management Company (Hong Kong). With respect to the life insurance business, the Company recognizes the importance of effective business value enhancement. Adhering to the fundamental principles of “stable size, value growth, structure optimization and controllable risk”, the Company made a major move in business transformation. With respect to asset management, the Company had asset-liability matching management as the basis and optimized its asset allocation while taking into account the security, liquidity and profitability of the invested assets, thereby achieving sound investment returns.

### 1. 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 insurance business income 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; premiums from regular premium products 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 was on a rapid increase. 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. Premiums from regular premium products 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.

## **2. 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 at 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 exercise 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 at 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.

Regarding 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 at 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 a AAA rating accounted for 97.1% of them (excluding wealth management products issued by commercial banks and equity financial products without an external rating).

3. As of the end of the reporting period, the company's major historical annual accounting data and financial indicators

Unit: RMB in millions

Key accounting data	2016	2015	Year-on-year increase/ decrease	2014	2013	2012
Gross written premiums and policy fees	112,648	111,994	0.6%	110,067	104,073	98,081
Net profit before income tax	6,482	11,782	-45.0%	7,782	4,959	2,288
Net profit	4,943	8,602	-42.5%	6,407	4,424	2,934
Net cash flows from operating activities	7,330	7,449	-1.6%	25,052	56,205	54,252

	As of 31 December 2016	As of 31 December 2015	Year-end to year-end increase/ decrease	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012
Total liabilities	640,056	602,719	12.4%	595,345	526,531	457,815
Equity attributable to shareholders of the Company	59,118	57,835	2.2%	48,359	39,312	35,870

Key financial indicators	2016	2015	Year-on-year increase/ decrease	2014	2013	2012
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	1.58	2.76	-42.8%	2.05	1.42	0.94
Weighted average return on equity attributable to shareholders of the Company	8.45%	16.20%	decrease by 7.75 percentage points	14.63%	11.76%	8.69%
Weighted average net cash flows from operating activities per share (RMB)	2.35	2.39	-1.7%	8.03	18.01	17.39

	As of 31 December 2016	As of 31 December 2015	Year-end to year-end increase/ decrease	As of 31 December 2014	As of 31 December 2013	As of 31 December 2012

#### 4. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	2016/ As of 31 December 2016	2015/ As of 31 December 2015	Year-on-year increase/ decrease	2014/ As of 31 December 2014	2013/ As of 31 December 2013	2012/ As of 31 December 2012
Investment assets	<b>679,794</b>	635,688	6.9% decrease by 2.4 percentage	625,718	549,596	479,189
Total investment yield <sup>(1)</sup>	<b>5.1%</b>	7.5%	points	5.8%	5.2%	3.3%
Gross written premiums and policy fees	<b>112,648</b>	111,994	0.6% decrease by 1.2 percentage	110,067	104,073	98,081
Increase rate of gross written premiums and policy fees	<b>0.6%</b>	1.8%	points	5.8%	6.1%	3.1%
Benefits, claims and expenses	<b>137,008</b>	144,814	-5.4%	132,680	121,652	107,666

Notes:

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

#### 5. The discrepancy between the PRC GAAP and International Financial Reporting Standards ("IFRS")

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2016 and the consolidated equity of the Company as of 31 December 2016 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

## 6. Analysis of core competitiveness

In 2016, the Company focused on the theme of “transformation development and self-operation capabilities” and determined its path for transformation development, that is, growth was driven by renewals. Leveraging budget management, branches were guided to enhance their self-operation capabilities. Through the implementation of a series of closely related initiatives, the Company effectively enhanced operation and management level, thereby simulating a healthy, sustained and rapid development momentum.

The Company had a comprehensive governance structure with a professional management team. The responsibilities and duties of the general meetings, the Board, the Board of Supervisors and the management were well defined with effective operation. The professional management team had extensive experience in the operation and management of life insurance, ensuring substantial progress in the transformation development of the Company.

The Company had leading advantages in transformation development. It was the first one to suggest the idea of “returning to the essence of insurance” and adhered to the development strategy of “focusing on life insurance and featuring protection”. The Company established a healthy and sustainable development model whose growth was driven by renewals, laying a solid foundation for market competition.

The Company enhanced self-operation capabilities. The Company established a self-operation system based on budget management, improving operation capability and management efficiency while optimizing cost structure.

The Company had prominent product advantages. It established a relatively comprehensive customer-oriented product system which focused on protection and covered various types of products, thereby forming a mature product operation mechanism and product advantages focusing on health insurance.

The Company had an efficient sales team. Adopting measures including policy guidance and indicator assessment, the Company established a life insurance sales team with high performance rate and productivity. While maintaining a stable team size, first year regular premiums achieved rapid growth.

The Company continued to improve its operational efficiency. Focusing on customers and efficiency, the Company continued to improve its operation management system, thus further enhancing the professionalism, service supporting capacity, service efficiency and quality of operation management.

The Company had a strong risk management capability. The Company established a dynamic solvency supervision mechanism, an early warning mechanism and an effective transmission mechanism under the risk management system of China Risk Oriented Solvency System (“C-ROSS”) while establishing a capital management model focusing on solvency. The solvency margin ratio was consistently maintained at high level.

The Company further improved its brand influence. It was awarded various honorary titles including the “Insurance Company with Excellent Competitiveness” and “Excellent China Enterprise Insurance Company” and achieved higher rankings in the Forbes Global 500 and Fortune Global 500.

## Section 4

# 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 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%.



## Section 4

### Chairman's Letter to Shareholders

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.

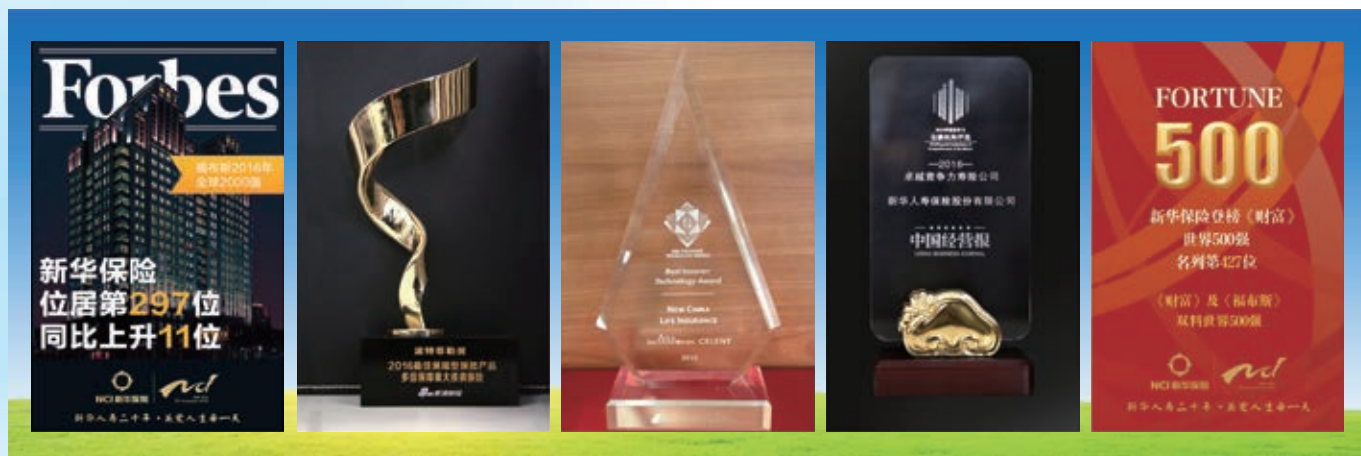
**(5) Initial results in the establishment of "two-high" team.** In view of the status of the Company's agent team as well as the trend of team development in the industry, the Company focused on the establishment of "two-high" team so as to improve performance rate and productivity per capita of the 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<sup>(1)</sup> was 54.1%, representing a year-on-year increase of 1.3 percentage points. The monthly average per capita comprehensive productivity<sup>(2)</sup> amounted to RMB5,798, representing a year-on-year increase of 3.8%.



Notes:

1. Monthly performance rate = monthly average number of performing agents/monthly average number of agents.  
Monthly average number of performing agents = (Σnumber 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=(Σ[(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.





#### (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. (新华养老保险股份有限公司) 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.

## 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".

## Section 4

### Chairman's Letter to Shareholders

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



## Section 4

### Chairman's Letter to Shareholders

#### Glories and Awards

January 2016	In the 2015 Annual Chinese Financial Company Forum – Reform and New Momentum (“改革新動力”財經中國2015年會) and the 13th Top Financial Company List (財經風雲榜) jointly organized by China Securities Market Research Design Center (SEEC) and hexun.com, NCI’s “Jiankangwuyou (健康無憂)” critical illness insurance series won the Most Attractive Insurance Product for the Year Award.
March 2016	In the 2nd China Quality and Credible Brand Forum (中國質量誠信品牌論壇) organized by China Association for Quality Promotion under the guidance of General Administration of Quality Supervision, Inspection and Quarantine of PRC, NCI was named as the Outstanding Demonstrative Enterprise of National Quality and Credible Brand once again, and won the Five-Star Quality Service Award for the first time.
March 2016	In the annual ranking list of the 6th BRANDZ™ Top 100 Most Valuable Chinese Brands jointly published by WPP, the largest advertising service group in the world, and Mill ward Brown, a world leading survey and research institution, NCI ranked 42. Its brand value increased to USD1.825 billion with annual growth of 42%, making NCI successfully ranked in the list of Top 20 Companies with Highest Growth in Brand Value.
May 2016	In the list of The World’s 2000 Largest Public Companies 2016 by Forbes, NCI ranked 297 in 2016, successfully ranked top 500 for three consecutive years.
June 2016	At the 2016 World Brand Summit held in Beijing, World Brand Lab released the 2016 Top 500 Most Valuable Chinese Brands. The brand value of NCI reached RMB31.164 billion, representing a year-on-year increase of over RMB4.0 billion, making NCI ranked 90 and successfully ranked top 100 Chinese brands for four consecutive years.
July 2016	Fortune (Chinese Edition) released the list of Top 500 Chinese Companies, in which NCI ranked 35.
July 2016	The results of the 1st China Insurance Industry Ark Award for 2016 (2016年中國保險業方舟獎), organized by Securities Times, were announced. NCI’s Jiankangwuyou Series won the Ark Award for Most Reliable Insurance Product (Life Insurance).
September 2016	The results of the 2016 Asia Insurance Technology Awards were announced in Singapore. NCI won the Best Technology Insurance Company Award with its “Magnum Intelligent Insurance Approval System” (Magnum智能核保系統), and became the first Chinese life insurance company winning this award.
October 2016	At 27th China Insurance Companies Round Table Meeting and the award ceremony for the 2015 Top 10 Most Competitive Insurance Companies in China and the 2015 Top 10 Growing Insurance Companies in China (中國保險熱點對話暨“2015年度中國市場競爭力十佳保險公司”與“2015年度中國價值成長性十佳保險公司”頒獎禮) organized by China Insurance News and China Institute for Actuarial Science of Central University of Finance and Economics, NCI won the award of the 2015 Top 10 Most Competitive Life Insurance Companies in China.
November 2016	At the Golden Kylin and Global Asset Management Forum of Sina (新浪金麒麟暨全球資產管理論壇), NCI’s multiple-protection critical illness insurance exclusively won the 2016 Best Protective Insurance Product Award.
December 2016	In the China Outstanding Financial Award election for 2015-2016 held by Economic Observer, NCI won the Outstanding Chinese Life Insurance Company Award for 2015-2016.
December 2016	In the 2016 Outstanding Competitive Financial Institution election organized by China Business Journal, NCI won the Outstanding Competitive Life Insurance Company Award.
December 2016	In the 14th Top Chinese Financial Company List – Insurance Company Election organized by hexun.com, NCI won the Most Influential Insurance Company of the Year Award.
December 2016	In the Golden V Award (金V獎) election jointly organized by Southern Financial Media Group (南方財經全媒體集團), 21st Century Business Herald and 21st Century New Media Center, NCI won the 2016 Best Propagation Award for Insurance Company.

## Section 5

# Management Discussion and Analysis

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

## Section 5

### Management Discussion and Analysis

As of 31 December	2016	2015	Change
Total assets	<b>699,181</b>	660,560	5.8%
Net assets	<b>59,125</b>	57,841	2.2%
Investment assets	<b>679,794</b>	635,688	6.9%
Equity attributable to shareholders of the Company	<b>59,118</b>	57,835	2.2%
Embedded value <sup>(2)</sup>	<b>129,450</b>	110,650	17.0%
Number of customers (in thousands)			
of which: individual customers	<b>28,106</b>	27,106	3.7%
of which: institutional customers	<b>72</b>	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 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 were restated for adopting the "Appraisal of Embedded Value" standard and 2016 economic assumptions. Please refer to "Embedded Value" in this report for detail.
3. Market share: represents the data published by 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

#### 1. Analysis by distribution channels

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

## Section 5

### Management Discussion and Analysis

#### (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*

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

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.

## Section 5

### Management Discussion and Analysis

#### 3. Analysis by branches

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

Rank	Product name	Unit: RMB in millions	
		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

1. Investment portfolio

Unit: RMB in millions

As of 31 December	2016		2015		Change
	Amount	Proportion	Amount	Proportion	
<b>Investment assets</b>	<b>679,794</b>	<b>100.0%</b>	635,688	100.0%	6.9%
<b>Classified by investment type</b>					
Term deposits <sup>(1)</sup>	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 <sup>(2)</sup>	32,835	4.8%	29,299	4.6%	12.1%
– Asset funding plans	20,000	3.0%	20,000	3.1%	0.0%
– Others <sup>(3)</sup>	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 <sup>(4)</sup>	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 <sup>(5)</sup>	31,260	4.6%	24,926	3.9%	25.4%
Cash and cash equivalents <sup>(1)</sup>	14,230	2.1%	13,904	2.2%	2.3%
Other investment assets <sup>(6)</sup>	36,641	5.4%	31,502	4.9%	16.3%
<b>Classified by investment purpose</b>					
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 <sup>(7)</sup>	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.

## Section 5

### Management Discussion and Analysis

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

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

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### Management Discussion and Analysis

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
<b>Total</b>				<b>610.92</b>	<b>/</b>	<b>506.15</b>	<b>100.00</b>	<b>-133.59</b>

Notes:

- 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.
- Investments in other securities represent investments in other securities apart from the top ten securities.
- 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		
<b>Total</b>		<b>29,223.09</b>	<b>/</b>	<b>/</b>	<b>28,897.96</b>	<b>593.63</b>	<b>-4,470.35</b>		

Notes:

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

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### Management Discussion and Analysis

#### (3) Shareholdings in unlisted financial enterprises

Security name	Initial investment amount (RMB in millions)	As a percentage of equity interest in that company	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	Changes of Equity Ownership during the reporting period		Source of securities
		at the beginning of the reporting period (%)	at the end of the reporting period (%)			Accounting classification		
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%
<b>Total</b>	<b>100.0%</b>



(2) *Investment portfolio*

	Amount (RMB in millions)	Proportion
<b>Non-standard debt investments</b>	<b>194,163</b>	<b>86.2%</b>
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%
<b>Non-standard equity investments</b>	<b>31,260</b>	<b>13.8%</b>
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%
<b>Total</b>	<b>225,423</b>	<b>100.0%</b>

(3) *Major management institutions*

	Paid Amount (RMB in millions)	Proportion
<b>Top 10 management institutions of financial products</b>		
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%
<b>Total</b>	<b>143,407</b>	<b>63.60%</b>

### III. Analysis of Key Items in the Consolidated Financial Statements

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

##### 1. Principal assets

Component	Unit: RMB in millions		
	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%
<b>Total</b>	<b>699,181</b>	<b>660,560</b>	<b>5.8%</b>

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**

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

## Section 5

### Management Discussion and Analysis

#### *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

For the 12 months ended 31 December	2016	Unit: RMB in millions	
		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%
<b>Total</b>	<b>144,796</b>	<b>157,918</b>	<b>-8.3%</b>

*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.

## Section 5

### Management Discussion and Analysis

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

For the 12 months ended 31 December	Unit: RMB in millions		
	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%
<b>Total</b>	<b>(137,008)</b>	<b>(144,814)</b>	<b>-5.4%</b>

##### *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**

<b>For the 12 months ended 31 December</b>	Unit: RMB in millions		
	<b>2016</b>	2015	Change
Net cash flows from operating activities	<b>7,330</b>	7,449	-1.6%
Net cash flows from investing activities	<b>(26,314)</b>	39,809	N/A
Net cash flows from financing activities	<b>18,935</b>	(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.

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### Management Discussion and Analysis

#### 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
<b>Core solvency margin ratio<sup>(1)</sup></b>	<b>259.74%</b>	248.54%	
<b>Comprehensive solvency margin ratio<sup>(1)</sup></b>	<b>281.30%</b>	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	<b>91.5%</b>	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	
<b>For the 12 months ended 31 December</b>	<b>2016</b>	2015
Swiss Reinsurance Company Ltd. Beijing Branch	<b>638</b>	462
China Life Reinsurance Company Ltd.	<b>284</b>	213
Others <sup>(1)</sup>	<b>14</b>	15
<b>Total</b>	<b>936</b>	690

Note:

- 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. Analysis of major controlled companies and associates of the Company

Profiles of major subsidiaries and associates of the Company as of 31 December 2016 are as follows:

		Unit: RMB in millions				
Company name	Major business scope	Registered capital	Shareholding percentage	Total assets	Net assets	Net profit
Asset Management Company	Management and utilization of self-owned capital and insurance funds; entrusted capital management; consultation business relevant to the capital management business; other asset management business permitted by applicable PRC laws and regulations.	500	99.4%	1,408	1,097	185
Asset Management Company (Hong Kong)	Advise on security transactions and asset management	HKD50 million	99.6%	208	167	40
Health Technology	Technology development, job skill training (excluding motor vehicle driver training), human resources training, conference services, exhibitions, organization of culture exchange activities, sports training, and information consultancy (excluding agency services), real estate development, food and beverage services, accommodation. (Items requiring approval under the law are approved by the relevant authorities and operated in accordance with such approval.)	632	100%	558	536	(21)

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### Management Discussion and Analysis

Company name	Major business scope	Registered	Shareholding	Total assets	Net assets	Net profit
		capital	percentage			
Yunnan Agency <sup>1</sup>	Agency for sales of insurance products; agency for receipt of premiums; agency for damage investigation and claim settlement of relevant businesses according to entrustment from insurance companies.	5	100%	3	3	–
Xinhua Seniors Service <sup>2</sup>	Integrated pension service; enterprise management; technological development; convention services; exhibition activities; arrangement of culture and art exchange activities; consultation on social economy; real estate development; motor vehicle parking bay services and health consultation (excluding diagnostic and medical services)	664	100%	897	522	(49)
New China Pension <sup>3</sup>	Group pension insurance and annuity businesses; individual pension insurance and annuity businesses; short-term health insurance business; accident insurance business; group life insurance business; group long-term health insurance business; reinsurance for above business; insurance funds operation	500	100%	996	495	(5)
Shanggu Real Estate	Real estate development	15	100%	15	15	–
Electronic Commerce	Commercial brokerage business; sales of electronic products; economic information consultation; technology promotion; the computer system services; data processing; software design; software development	100	100%	36	29	(23)
Hefei Supporting Operation <sup>4</sup>	Project investment, real estate management, housing rental	500	100%	246	2	(5)
Hainan Seniors <sup>5</sup>	Investment, operation and management of senior housing and the supporting facilities; operation and management of hotels and apartments; property management, parking lots management; operation and management of swimming pools; operation and management of shopping malls and supermarkets; development and sales of tourism products; equipment leasing; house leasing; catering; passenger transportation service; hairdressing and beauty; sauna and water caring; sports management; fitness, snooker, tennis, entertainment and healthy care service; laundry service; exhibition service; ticketing agency; business information consulting; senior and health care knowledge training and consulting service; organizing culture and arts exchange; medical care service; medical equipment information consulting; fishing service; community facility service	1,908	100%	1,288	1,151	(15)

Company name	Major business scope	Registered Shareholding		Total assets	Net assets	Net profit
		capital	percentage			
Guangzhou Yuerong	Property management, operation of self-owned real estate, house leasing, space leasing (excluding storage)	10	100%	7	7	(2)
Haoran Power	Air power equipment, technical development of oil thermal recovery equipment, technology transfer, technical consultation, technical training, asset management; office building leasing. (Projects subject to approval according to the laws shall operate after the approval of relevant authorities and within the criterion approved thereof.)	500	100%	467	462	7
New China Health <sup>6</sup>	Investment management, asset management, project investment, economic consultation, software development, exhibitions, conference services, technology promotion, technology services, design, production, agency and publication of advertisement, sales of software, hardware and ancillary equipment of computers, sales of stationery and craftwork	1,127	45%	1,241	1,107	(112)
Zijin Century	Accommodation; swimming pool; catering (including cold dish, excluding undecorated cakes and cooked seafood (the aforementioned operation scope is exclusive for branches); property management; real estate development; sales of self-developed commercial housing; business management; public parking lots services for motor vehicles; business consulting; exhibition, shows and conference undertaking service; goods import and export; technology import and export; commercial housing leasing; the following operation scope is exclusive for branches: typing and copying; sales of handicrafts, grocery; sports management (excluding high-risk sports)	2,500	24%	3,919	2,752	(21)
MJ Health	Provision of health examination services and related health consultation services; specific health examinations include: internal medicine, surgery, gynecology, pediatrics, stomatology, otolaryngology, ophthalmology, dermatology, medical imaging and clinical laboratory	USD4 million	30%	60	49	4
China Jinmao	Real estate development	N/A	9.97%	148,490	43,802	1,919
Weiyuanzhou (衛元舟) <sup>7</sup>	Education investment; education consultation; garbage disposal machinery and equipment; sales of environmental protection equipment; urban garbage disposal; sales of general merchandise, textiles, clothing, daily groceries, hardware and electrical appliances, metal material, building material, machinery, electronic device, wood, electronic computers and their auxiliary facilities; interior decoration, design and construction; property management	19	40%	595	101	12
New China Capital International	Investment Management	HKD39 million	39.86%	153	137	98

## Section 5

### Management Discussion and Analysis

#### Notes:

1. The fifteenth meeting of the Executive Committee of the Company in 2015 considered and approved the "Proposal on the Dissolution of Yunnan New China Insurance Agency Co., Ltd.". As of 31 December 2016, Yunnan Agency has not completed the liquidation process.
2. On 19 April 2016, the Company contributed the increased capital of RMB102 million. Upon the capital contribution, the registered capital of Xinhua Seniors Service changed to RMB664 million. On 3 August 2016, the company name of Xinhua Seniors Service was changed from Xinhua Village Seniors Business Management (Beijing) Co., Ltd. to Xinhua Village Seniors Service (Beijing) Co., Ltd. The sixth meeting of the sixth session of the Board of Directors considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service changed to RMB964 million. As at 31 December 2016, the Company has completed the cash contribution, and the Company's actual contribution was RMB964 million. Xinhua Seniors Service has not registered the change yet.
3. New China Pension obtained the approval for its operation from the CIRC on 26 August 2016 and completed the company registration on 19 September 2016. New China Pension's registered capital is RMB500 million, in which the Company and New China Asset Management held 99% and 1% of interest respectively. On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company considered and approved the increased capital contribution to New China Pension. As at 31 December 2016, the Company has contributed the increased capital of RMB495 million and New China Asset Management has contributed the increased capital of RMB5 million to New China Pension. The total capital contribution was RMB990 million from the Company and RMB10 million from New China Asset Management. New China Pension has not registered the change yet.
4. On 20 December 2016, the seventh meeting of the sixth session of the Board of Directors considered and approved the "Proposal on Capital Contribution in the Project Subsidiaries under the Hefei Supporting Operation by the Company and the Connected Transaction Thereof", agreeing to increase the registered capital of Hefei Supporting Operation to RMB3,200 million from RMB500 million. As of 31 December 2016, the industrial and commercial registration of the change of the capital contribution was in progress. The actual amount of capital contribution paid by the Company was RMB8 million.
5. On 26 March 2014, the seventh meeting of the fifth session of the Board of Directors approved to increase the registered capital of Hainan Seniors from RMB760 million to RMB1,908 million. According to the new articles of association of Hainan Seniors, the Company shall contribute the capital in cash no later than 29 April 2018. The Company injected RMB84 million and RMB329 million in 2015 and 2016 respectively. As at 31 December 2016, the actual amount of capital contribution of Hainan Seniors paid by the Company was RMB1,173 million.
6. On 30 October 2015, the thirtieth meeting of the fifth session of the Board of Directors considered and approved the "Proposal on the Introduction of Strategic Investors and Capital Injection of New China Life Excellent Health Investment Management Co., Ltd.". The industrial and commercial registration was completed in January 2016. Upon the industrial and commercial registration of change, the registered capital of New China Health increased to RMB1,127 million and the shareholding held by the Company changed to 45%.
7. The eighth meeting of the Executive Committee of the Company in 2015 considered and approved the equity investment project of Nanjing Weiyuanzhou. On 22 September 2015, the Company entered into an equity transfer agreement with Weiyuanzhou. On 14 April 2016, Weiyuanzhou completed the industrial and commercial registration.

## VI. 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.

## Section 6

# Embedded Value

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

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

New China Life Insurance Company Ltd ("NCL") has prepared embedded value results for the financial year ended 31 December 2016 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

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

#### Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2016, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2016; and
- A review of the results of NCL's calculation of the EV Results, comprising:
  - the embedded value and the value of one year's new business as at 31 December 2016 and as restated at 31 December 2015;
  - the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2016; and
  - the analysis of change of the embedded value from 31 December 2015 to 31 December 2016.

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



## Opinion

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

- The embedded value methodology used by NCI is consistent with the requirements of the “CAA Standards of Actuarial Practice: Appraisal of Embedded Value” issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company’s current and expected future asset mix and investment strategy;
- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;
- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI’s 2016 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

**Michael Freeman, FIAA**

**Wesley Cui, FSA, FCAA**

29 March 2017

## NCI 2016 Annual Embedded Value Results

### 1. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2016 and have disclosed the relevant information in this section.

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

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

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

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No.36 "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Willis Towers Watson is contained in the "Willis Towers Watson's Review Opinion Report on Embedded Value" section.

## 2. Definitions of Embedded Value

Our embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company.

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

- Net assets, defined as assets less policy liabilities valued under the “Appraisal of Embedded Value” standard; and
- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments for differences between China Accounting Value Standards reserves and reserves under the “Appraisal of Embedded Value” standard.

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

The “value of in-force business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for existing in-force business at the valuation date. The “value of one year’s new business” is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the 12 months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CIRC.

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

### 3. 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 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 are 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.

#### 4. 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.

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

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of one year's new business as at 31 December 2016 and 31 December 2015 were RMB46,689 million and RMB51,202 million respectively.
- The impact of major reinsurance contracts has been reflected in the embedded value and value of one year's new business.
- Results in column "Restated" are the 2015 results restated for adopting the "Appraisal of Embedded Value" standard and 2016 economic assumptions.

Valuation Date	Unit: RMB in millions	
	31 December 2016	31 December 2015 (Restated)
<b>Value of One Year's New Business by Distribution Channel</b>		
Individual insurance channel	<b>10,271</b>	7,780
Bancassurance channel	<b>235</b>	(58)
Group insurance channel	<b>(57)</b>	(59)
<b>Total</b>	<b>10,449</b>	7,663

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of one year's new business as at 31 December 2016 and 31 December 2015 were RMB46,689 million and RMB51,202 million respectively.
- The impact of major reinsurance contracts has been reflected in value of one year's new business.
- Results in column "Restated" are the 2015 results restated for adopting the "Appraisal of Embedded Value" standard and 2016 economic assumptions.
- The individual insurance channel includes both the previous individual insurance agent channel and the previous service and business development channel.

## 5. 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%

<b>1.</b>	<b>EV at the beginning of period</b>	<b>103,280</b>
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
<b>12.</b>	<b>EV at the end of period</b>	<b>129,450</b>

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.

## 6. Sensitivity Tests

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

Unit: RMB in millions

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



## Section 7

# Significant Events

### **I. Significant litigation and arbitration events**

For details of litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to “X. Other significant events – (V) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang” in this section.

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

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

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

### **III. Credit of the Company and its controlling shareholder**

During the reporting period, the Company and its controlling shareholder are not subject to large amount enforceable judgments of the court or outstanding due and payable debts.

### **IV. Acquisition and disposal of material assets, merger and division**

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

### **V. Connected transactions during the reporting period**

During the reporting period, the Company did not conduct any connected transaction or continuing connected transaction which is subject to the reporting, announcement or shareholders’ approval requirements under Chapter 14A Connected Transactions of the Hong Kong Listing Rules.

## VI. Significant contracts and their performance

- (I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit.
- (II) During the reporting period, there was no external contract guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any contract guarantee for its subsidiaries.
- (III) The utilization of capital of the Company is carried out mainly through entrusted management and the capital was invested and operated by Asset Management Company and Asset Management Company (Hong Kong).

According to relevant provisions of the *Interim Administrative Measures for the Entrusted Investment of Insurance Funds* (No. 60 [2012] of the CIRC), the Company, with the consideration and approval of the 37th meeting of the fifth session of the Board and by entering into the 2016 *Investment Entrustment Management Agreement* and *Insurance Capital Utilization Investment Guidelines* with the Asset Management Company, entrusted Asset Management Company with most of its domestic investment assets to make investments, and the term of entrustment was one year. As of 31 December 2016, the Company entrusted Asset Management Company with a total amount of RMB586,157 million to make domestic investments. In accordance with the relevant provisions in the *Investment Entrustment Management Agreement*, the Company paid base management fees to Asset Management Company based on the size of entrusted funds and the base management fee rate as agreed in the *Investment Entrustment Management Agreement* and paid performance bonus according to the investment performance results.

According to the *Interim Measures for the Administration of Overseas Investment with Insurance Funds* (Order No. 2 [2007] issued by the CIRC, People's Bank of China and State Administration of Foreign Exchange) and *Detailed Rules for the Implementation of the Interim Measures for the Administration of Overseas Investment with Insurance Funds* (No. 93 [2012] of the CIRC), the Company, with the consideration and approval of the 37th meeting of the fifth session of the Board and by entering into the 2016 *Overseas Investment Entrustment Management Agreement* and *Overseas Insurance Capital Utilization Investment Guidelines* with the Asset Management Company (Hong Kong), entrusted overseas investment asset to Asset Management Company (Hong Kong) to make investments, and the term of entrustment was one year. As at 31 December 2016, the Company entrusted Asset Management Company (Hong Kong) to make overseas investments with a total amount of RMB14,940 million, and paid investment management fee and performance bonus to Asset Management Company (Hong Kong) in accordance with the *Overseas Investment Entrustment Management Agreement*.

In 2016, the Company made provisions for asset depreciation for such entrusted assets, and recognized asset impairment loss of RMB1,356 million. The seventh meeting of the sixth session of the Board considered and approved the *Proposal on 2017 Entrusted Investment Management Agreement and Investment Guidelines of the Company and Related Party Transactions Thereof* and the *Proposal on 2017 Entrusted Overseas Investment Management Agreement and Overseas Investment Guidelines of the Company and Related Party Transactions Thereof*, which authorized the Company to assign Entrusted Investment Management Agreement and Overseas Entrusted Investment Management Agreement for 2017 with Asset Management Company and Asset Management Company (Hong Kong) respectively. The Company will, subject to the regulatory requirements and the decision-making system of entrusted investment of the Company, continue to adopt the entrusted investment model, and entrust Asset Management Company and Asset Management Company (Hong Kong) to make investments.

(IV) During the reporting period, the Company had no entrusted loans.

(V) Unless otherwise disclosed in this report, during the reporting period, the Company had no other significant contracts.

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

### Controlling shareholder's commitment relating to avoidance of horizontal competition

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the *Announcement on the Conditions of None Fulfilled Commitments of the Company's Shareholders, Related Parties and the Company* published on 13 February 2014 by the Company.

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

## VIII. Appointment of accounting firms

The annual general meeting of 2015 of the Company held on 27 June 2016 considered and approved the *Proposal regarding the Appointment of Auditors for the Year 2016*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the International auditor of the Company for the year 2016, respectively. For details, please refer to the *Announcement on the Voting Results of the Annual General Meeting of 2015 and Distribution of 2015 Annual Dividend* published by the Company on 27 June 2016. The Company changed auditors in 2014. For details, please refer to the *Proposed Appointment of Auditors* published by the Company on 22 January 2014. Ernst & Young Hua Ming LLP and Ernst & Young have been providing annual auditing service for the Company for three consecutive years. The Company paid a total amount of RMB15.409 million to the auditors as the 2016 annual service fee for auditing, reviewing and executing agreed-upon procedures of the financial reports and the service fee for the profit tax returns declaration of the year 2015.

Ernst & Young Hua Ming LLP is the accounting firm appointed for the Company's internal control and audit related to the financial statements for the year 2016. The Company paid RMB1.50 million as its 2016 annual internal control and audit service fees related to the financial statements.

## IX. Penalty and rectification of the Company and the Company's directors, supervisors, members of senior management and controlling shareholder

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or controlling shareholder was subject to any investigations by the authorities, or any coercive measures by judicial authorities or disciplinary inspection departments, or sent to judicial authorities for criminal prosecution, or received investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges, or major administrative penalty by the tax department or other administrative departments.

During the reporting period, the Company was not subject to any administrative supervision and rectification by the CSRC and its dispatched institutions.

## X. Other significant events

### (I) Issuance of 2016 capital supplement bond

To ensure the Company's sufficient solvency ability and to broaden the financing channels, and according to the 36th meeting of the fifth session of the Board held on 4 February 2016 and resolution of the first extraordinary meeting of 2016 held on 4 March 2016, the Company may issue a capital supplement bond in the amount not exceeding RMB5.0 billion or equivalent amount in U.S. dollar in 2016. The Company did not issue the capital supplement bond in 2016.

Please refer to the *Supplementary Announcement on the First Extraordinary General Meeting of 2016* published on 19 February 2016 and the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2016 and Election of Employee Representative Supervisors for the Sixth Session of the Board of Supervisors* published on 4 March 2016 for details.

### (II) Issuance of Domestic Debt Financing Instruments

To maintain the Company's stability of solvency, support the healthy development of businesses, and further optimize the capital structure, according to the 9th meeting of the sixth session of the Board on 24 February 2017, the Company may issue capital supplement bond and other debt financing instruments in compliance with regulatory requirements not exceeding RMB15 billion. 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. The issue of domestic debt financing instruments is still subject to approvals of the general meeting of shareholders and regulatory authorities.

Please refer to the *Proposed Issue of Domestic Debt Financing Instruments and Overseas Debt Financing Instruments* published on 24 February 2017 and the *Proposal on the Election of Non-executive Director of the Sixth Session of the Board; Proposal on the Standard of the Remuneration of the Chairman of the Board of Supervisors of the Company; Proposal on the Outline of the 13th Five Year Development Plan of the Company; Proposal on the Domestic Debt Financing Scheme of the Company; Proposal on the Overseas Debt Financing Scheme of the Company; and Notice of the First EGM of 2017* published on 13 March 2017 for details.

### (III) Issuance of Overseas Debt Financing Instruments

To broaden the channel of investment and financing in overseas markets, strengthen the cooperation in overseas markets, and enhance the Company's influence in the international market, according to the 9th meeting of the sixth session of the Board on 24 February 2017, the Company 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 be start from the date of the first extraordinary general meeting of 2017 till the end of the annual general meeting of 2019. The issue of domestic debt financing instruments is still subject to the general meeting of shareholders and approvals of regulatory authorities.

Please refer to the *Proposed Issue of Domestic Debt Financing Instruments And Overseas Debt Financing Instruments* published on 24 February 2017 and the *Proposal on the Election of Non-executive Director of the Sixth Session of the Board; Proposal on the Standard of the Remuneration of the Chairman of the Board of Supervisors of the Company; Proposal on the Outline of the 13th Five Year Development Plan of the Company; Proposal on the Domestic Debt Financing Scheme of the Company; Proposal on the Overseas Debt Financing Scheme of the Company; and Notice of the First EGM of 2017* published on 13 March 2017 for details.

**(IV) Indirect investment in infrastructure projects**

During the reporting period, the Company entrusted Asset Management Company with a total amount of RMB1.86 billion in the debt investment plan in infrastructure.

**(V) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang**

To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of former chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first-instance ruling and appealed to the Supreme People's Court. On 13 May 2014, the Supreme People's Court made the final ruling, which rejected the appeal instituted by Beijing Tianhuan Real Estate Development Co., Ltd. and sustained the first instance ruling of Chongqing Municipal Higher People's Court. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution of Beijing Tianhuan Real Estate Development Co., Ltd. In May 2016, the Company had recovered funds with an amount of RMB15,807,978.56. The case is in the process of execution.

## Section 8

# Changes in Share Capital and Shareholders' Profile

### I. Changes in share capital

The share capital of the Company as of 31 December 2016 remained unchanged:

	31 December 2015		Increase or decrease during the reporting year (+, -)					31 December 2016	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	-	-	-	-	-	2,085,439,340	66.85%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,119,546,600</b>	<b>100.00%</b>	-	-	-	-	-	<b>3,119,546,600</b>	<b>100.00%</b>
3. Total number of shares	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%

### II. Issue and listing of securities

During the reporting period, the Company has no issuance of securities.

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

### III. Shareholders

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

As of the end of the reporting period, there are 38,352 shareholders of the Company, including 37,754 A Shareholders and 598 H Shareholders.

#### Shares held by top ten shareholders

Unit: share

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
HKSCC Nominees Limited <sup>(2)</sup>	Overseas legal person shares	33.14	1,033,879,836	-67,700	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	-	-	-	A
China Baowu Steel Group Corporation Limited <sup>(3)(4)</sup>	State-owned legal person shares	15.10	471,185,465	-26,721	-	164,973,279	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.93	91,444,922	7,271,475	-	-	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	-	-	-	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.71	22,080,000	-	-	-	A
Hong Kong Securities Clearing Company Limited <sup>(5)</sup>	Overseas legal person shares	0.59	18,357,712	-3,926,557	-	-	A
China Universal Asset Management Co., Ltd – ICBC – China Universal Tianfu Bull No. 53 Asset Management Plan	Others	0.24	7,538,697	1,806,319	-	-	A
ICBC-Harvest New Opportunity Flexible Allocation Mixed Launched Securities Investment Fund	Others	0.23	7,276,311	-	-	-	A
ICBC-Shanghai Index 50 Trading Open-end Index Securities Investment Fund	Others	0.20	6,168,862	2,240,643	-	-	A
Description of connected relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

## Section 8

### Changes in Share Capital and Shareholders' Profile

#### Notes:

1. As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.
2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.
3. In December 2016, the Company received a notice from Baowu Group that its name had been changed from "Baosteel Group Corporation" to "China Baowu Steel Group Corporation Limited" with the approval from Shanghai Administration for Industry and Commerce.
4. Baowu Group completed the issuance of exchangeable bonds on 12 December 2014. A total number of 165,000,000 A shares of the Company held by Baowu Group that are exchangeable from the bonds and the entitlements of such shares have been transferred into a special trust account as guaranteed and trusted assets. The shares are held by China International Capital Corporation Limited ("CICC") nominally and registered on the list of shareholders with "Baosteel Group-CICC- 14 Baosteel EB Guaranteed and Trusted Assets Special Account" as the shareholder. For details, please refer to the announcement titled *Announcement in Relation to the Completion of the Issuance of Exchangeable Bonds by A Substantial Shareholder of the Company and the Guarantee and Trust Registration for the Company's A Shares Held by The Shareholder* published by the Company on the website of the Hong Kong Stock Exchange on 16 December 2014. As of the end of the reporting period, among the A shares as guaranteed and trusted assets for the exchangeable bonds issued by Baowu Group, 26,721 shares have been exchanged to A shares of the Company by the bond holders.
5. Hong Kong Securities Clearing Company Limited is the nominee for investors of Shanghai-Hong Kong Stock Connect programme.

As at 28 February 2017, there were 39,141 shareholders of the Company, including 38,545 A share shareholders and 596 H share shareholders.



## (II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing on 16 December 2003 under the Company Law of the People's Republic of China with the approval of the State Council. The registered capital of Huijin is RMB828.209 billion. The legal representative of Huijin is DING Xuedong. Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, and does not intervene in the daily operations of the major state-owned financial enterprises which it controls.

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

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited**	34.71%
2	Agricultural Bank of China Limited**	40.03%
3	Bank of China Limited**	64.02%
4	China Construction Bank Corporation**	57.11%
5	China Everbright Bank Company Limited**	21.96%
6	China Reinsurance (Group) Corporation*	71.56%
7	New China Life Insurance Company Ltd.**	31.34%
8	Shenwan Hongyuan Group Co., Ltd.*	25.03%
9	China International Capital Corporation Limited <sup>(2)*</sup>	28.45%
10	China Securities Co., Ltd. <sup>(3)*</sup>	33.29%

Note:

- ★: a company listed on SSE; ☆: a company listed on HKSE.
- Huijin signed an equity transfer agreement with CICC on 4 November 2016, which specifies that CICC will acquire 100% of shares of China Investment Securities Co., Ltd. ("China Investment Securities"). The completion of the transaction took place on 12 April 2017 and the percentage of shares of CICC held by Huijin has been changed to 58.58% and China Investment Securities is now a wholly owned subsidiary of CICC.
- On 30 December 2016, China Securities Co., Ltd. ("China Securities") exercised the overallotment option and the transaction was settled on 5 January 2017. After the transaction, Huijin held 32.93% of shares of China Securities directly.

The Company does not have such entity who is not the shareholder of the Company but can actually control the Company through investment relations, agreements or other arrangements. Therefore, the Company does not have any actual controller.

## Section 8

### Changes in Share Capital and Shareholders' Profile

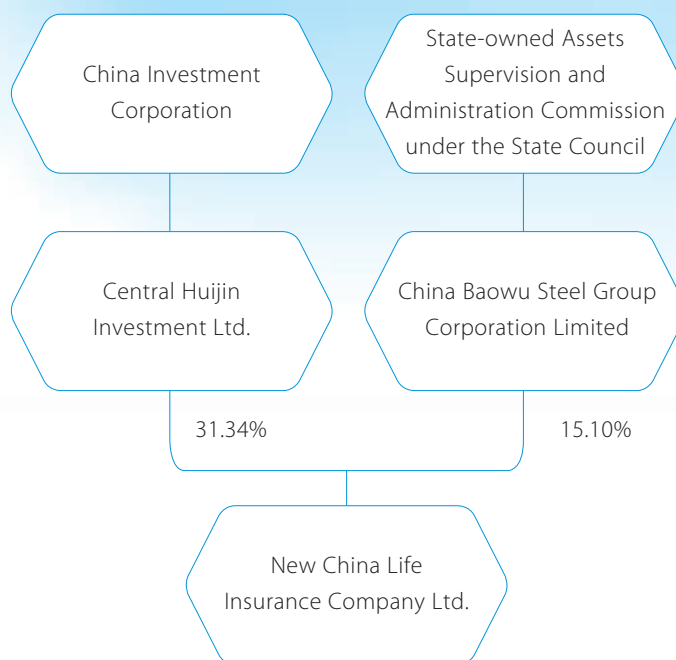
#### (III) Other corporate shareholders holding 10% or more of the shares in the Company

##### **Baowu Group**

Baowu Group was jointly reorganized by the former Baosteel Group Corporation and Wuhan Iron and Steel (Group) Corporation. Baowu Group, established on 1 December 2016, is a legally established wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission under the State Council performs the duties of investor on behalf of the State Council. The registered capital of Baowu Group is RMB52.79 billion. The legal representative of Baowu Group is Ma Guoqiang. The business scope of Baowu Group includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment businesses, and operations in industry sectors such as iron and steel, metallurgy and mining, coal, chemical industry (except hazardous substances), electricity, ports, logistics, transportation, iron and steel related business, and technology development, technology transfer, technology service and management consultancy, import and export approved by Ministry of Foreign Trade and Economic Cooperation, domestic and overseas trade (non-special) and services.

Saved as disclosed above, as of 31 December 2016, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% or more of shares in the Company as of 31 December 2016:



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

So far as the directors of the Company are reasonably aware of, as of 31 December 2016, Baowu Group held 471,185,465 A shares of the Company, representing 15.10% of the total issued shares of the Company and 22.59% of the total issued A shares the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as of 31 December 2016, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Unit: share

	Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares Issued %	Percentage of the H shares Issued %	Long Position/ Short Position/ Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	977,530,534	31.34	46.87	-	Long Position
				Interests of Controlled Corporation	28,249,200	0.91	1.35	-
2	Swiss Re Ltd	H Share	Interests of Controlled Corporation	152,857,800 (Note 3)	4.90	-	14.78	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	-	15.00	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	124,018,300	3.98	-	11.99	Long Position
				Beneficial owner	31,101,900 (Note 4)	1.00	-	3.01
5	Guo Guangchang	H Share	Interests of Controlled Corporation	155,120,200 (Note 4)	4.97	-	15.00	Long Position
6	Goldman Sachs (UK) L.L.C.	H Share	Interests of Controlled Corporation	85,326,194	2.74	-	8.25	Long Position
					9,691,237 (Note 5)	0.31	-	0.94
7	Goldman Sachs Group UK Limited	H Share	Interests of Controlled Corporation	85,326,194	2.74	-	8.25	Long Position
					9,691,237 (Note 5)	0.31	-	0.94
8	Goldman Sachs International	H Share	Beneficial owner	85,326,194	2.74	-	8.25	Long Position
					9,691,237 (Note 5)	0.31	-	0.94
9	The Goldman Sachs Group, Inc.	H Share	Interests of Controlled Corporation	71,226,662	2.28	-	6.89	Long Position
					47,746,702 (Notes 5 and 6)	1.53	-	4.62

## Section 8

### Changes in Share Capital and Shareholders' Profile

#### Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled. Therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
3. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
4. Mr. Guo Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited Fosun International Limited and other companies controlled or indirectly controlled by it.
5. As The Goldman Sachs Group, Inc. holds 100% of Goldman Sachs (UK) L.L.C.'s shares, Goldman Sachs (UK) L.L.C. holds 100% of Goldman Sachs Group UK Limited's shares, and Goldman Sachs Group UK Limited holds 100% of Goldman Sachs International's shares, so these companies are regarded as owning benefits in the Company's shares held by Goldman Sachs International.
6. The Goldman Sachs Group, Inc. also holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as of 31 December 2016, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

## Section 9

# Directors, Supervisors, Senior Management and Employees

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

#### (I) Directors

As of the date of this report, details of the current and former directors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
WAN Feng	Executive Director and Chairman	In Office	Male	April 1958	Since November 2014 Since March 2016	284.98	195.02	No
LI Zongjian	Executive Director Non-Executive Director	In Office Resigned	Male	July 1960	Since January 2017 Since March 2016 until December 2016	30.81	18.89	Yes
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since October 2010	-	-	Yes
CHEN Yuanling	Non-Executive Director	In Office	Female	December 1963	Since March 2016	-	-	Yes
WU Kunzong	Non-Executive Director	In Office	Male	February 1971	Since July 2014	-	-	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	-	-	Yes
DACEY John Robert	Non-Executive Director	In Office	Male	May 1960	Since August 2014	-	-	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	21.05	4.16	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	21.05	4.16	No
FONG Chung Mark	Independent Non-Executive Director	In Office	Male	June 1951	Since September 2011	22.36	4.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	9.15	1.74	No
NEOH Anthony Francis	Independent Non-Executive Director	In Office	Male	November 1946	Since September 2016	6.80	1.30	No
KANG Dian	Executive Director and Chairman	Resigned	Male	July 1948	Since December 2009 until March 2016	77.99	50.41	No
ZHAO Haiying	Non-Executive Director	Resigned	Female	January 1965	Since December 2009 until March 2016	-	-	Yes
MENG Xingguo	Non-Executive Director	Resigned	Male	November 1955	Since December 2009 until March 2016	-	-	Yes

## Section 9

### Directors, Supervisors, Senior Management and Employees

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
CHEN Xianping	Independent Non-Executive Director	Resigned	Female	November 1954	Since December 2009 until March 2016	4.46	0.85	No
WANG Yuzhong	Independent Non-Executive Director	Resigned	Male	May 1949	Since December 2009 until March 2016	4.46	0.85	No
ZHANG Hongxin	Independent Non-Executive Director	Resigned	Male	December 1965	Since December 2009 until March 2016	4.46	0.85	No
ZHAO Hua	Independent Non-Executive Director	Resigned	Male	June 1954	Since December 2009 until March 2016	5.35	1.02	No
ZHANG Guozheng	Non-Executive Director	Resigned	Male	April 1965	Since March 2016 until March 2017	-	-	Yes
CAMPBELL Robert David	Independent Non-Executive Director	Resigned	Male	August 1954	Since April 2010 until August 2016	15.28	2.92	No

#### Note:

- The first extraordinary general meeting of 2016 held on 4 March 2016 conducted the change of directors for the new session of the Board, and Mr. WAN Feng, Mr. LI Zongjian, Mr. LIU Xiangdong, Ms. CHEN Yuanling, Mr. WU Kunzong, Mr. HU Aimin, Mr. DACEY John Robert, Mr. ZHANG Guozheng, Mr. LI Xianglu, Mr. NEOH Anthony Francis, Mr. ZHENG Wei, Mr. CAMPBELL Robert David and Mr. FONG Chung Mark were elected as the directors for the sixth session of the Board. Mr. WAN Feng, Mr. LIU Xiangdong, Mr. WU Kunzong, Mr. DACEY John Robert, Mr. CAMPBELL Robert David and Mr. FONG Chung Mark were re-elected as directors. The director qualifications of Mr. LI Zongjian, Ms. CHEN Yuanling, Mr. ZHANG Guozheng, Mr. LI Xianglu and Mr. ZHENG Wei were approved by the CIRC on 18 March 2016. The director qualifications of Mr. HU Aimin were approved by the CIRC on 8 June 2016. The director qualifications of Mr. NEOH Anthony Francis were approved by the CIRC on 12 September 2016. Mr. KANG Dian, Ms. ZHAO Haiying, Mr. MENG Xingguo, Ms. CHEN Xianping, Mr. WANG Yuzhong, Mr. ZHANG Hongxin and Mr. ZHAO Hua, as directors of the fifth session of the Board, ceased to be directors of the Company on 18 March 2016.
- Mr. WAN Feng was elected as the Chairman of the Board at the first meeting of the sixth session of the Board on 24 March 2016. The qualifications of Mr. WAN Feng as Chairman of the Board have been approved by the CIRC.
- Mr. LI Zongjian was a non-executive director of the Company from March 2016 to December 2016. Mr. LI Zongjian was appointed as a vice president of the Company at the sixth meeting of the sixth session of the Board on 28 October 2016. His qualifications for a member of the senior management were approved by the CIRC on 25 January 2017, and he started serving as an executive director and a vice president of the Company since the same date. During the reporting period, the statistical period of Mr. LI Zongjian's remuneration was from November 2016 to December 2016. He worked for Hujin and received remuneration from Hujin before the period.
- At the annual general meeting of 2015 held on 27 June 2016, Mr. CHENG Lie was elected as an independent non-executive director for the sixth session of the Board of the Company. The director qualifications of Mr. CHENG Lie were approved by the CIRC on 5 August 2016.
- The Board received Mr. CAMPBELL Robert David's resignation report as an independent non-executive director on 25 August 2016. Mr. CAMPBELL Robert David resigned as an independent non-executive director due to work reasons. The resignation took effect on the date when his resignation report was delivered to the Board.
- The Board received Mr. ZHANG Guozheng's resignation report as a non-executive director on 15 March 2017. Mr. ZHANG Guozheng resigned as a non-executive director due to work reasons. The resignation took effect on 15 March 2017.
- The remuneration of the directors of the Company was calculated for their relevant term of office during the reporting period.

## (II) Supervisors

As of the date of this report, details of the current and former supervisors of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
WANG Chengran	Shareholder Representative Supervisor and Chairman of the Board of Supervisors	In Office	Male	April 1959	Since July 2014	-	-	Yes
LIU Zhiyong	Shareholder Representative Supervisor	In Office	Male	March 1972	Since March 2016	-	-	Yes
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	98.24	40.73	No
Bi Tao	Employee Representative Supervisor	In Office	Male	January 1975	Since March 2016	60.48	16.71	No
AI Bo	Shareholder Representative Supervisor	Resigned	Female	February 1971	Since January 2010 until March 2016	-	-	Yes
CHEN Xiaojun	Shareholder Representative Supervisor	Resigned	Male	March 1959	Since January 2010 until March 2016	-	-	No
LV Hongbo	Shareholder Representative Supervisor	Resigned	Male	February 1976	Since March 2013 until March 2016	-	-	Yes
LIU Yiyong	Employee Representative Supervisor	Resigned	Female	April 1960	Since January 2010 until March 2016	6.15	2.29	No
ZHU Tao	Employee Representative Supervisor	Resigned	Male	April 1958	Since January 2010 until March 2016	28.61	10.58	No
YANG Jing	Employee Representative Supervisor	Resigned	Female	June 1962	Since January 2010 until March 2016	18.87	5.13	No
LIN Chi Fai Desmond	Shareholder Representative Supervisor	Resigned	Male	December 1970	Since May 2016 until July 2016	-	-	Yes

Note:

- The first extraordinary general meeting of 2016 held on 4 March 2016 conducted the change of supervisors for the new session of the Board of Supervisors, and Mr. WANG Chengran, Mr. LIU Zhiyong and Mr. LIN Chi Fai Desmond were elected as the shareholder representative supervisors for the sixth session of the Board of Supervisors. The above supervisors together with Mr. WANG Zhongzhu and Mr. Bi Tao, who were elected as the employee representative supervisors through democratic means including online voting by employees, comprised the sixth session of the Board of Supervisors of the Company. Mr. WANG Chengran was re-elected as a supervisor. The supervisor qualifications of Mr. LIU Zhiyong, Mr. WANG Zhongzhu and Mr. Bi Tao were approved by the CIRC on 18 March 2016. The supervisor qualifications of Mr. LIN Chi Fai Desmond were approved by the CIRC on 20 May 2016. Ms. AI Bo, Mr. CHEN Xiaojun, Mr. LV Hongbo, Ms. LIU Yiyong, Mr. ZHU Tao and Ms. YANG Jing, as supervisors of the fifth session of the Board of Supervisors, ceased to be supervisors of the Company on the date when the sixth session of the Board of Supervisors was formed.
- Mr. WANG Chengran was elected as the chairman of the Board of Supervisors at the first meeting of the sixth session of the Board of Supervisors on 24 March 2016.
- The Board of Supervisors received Mr. LIN Chi Fai Desmond's resignation report as a supervisor on 31 July 2016. Mr. LIN Chi Fai resigned as a supervisor due to work reasons. The resignation took effect on the date when his resignation report was delivered to the Board of Supervisors.
- The remuneration of the supervisors of the Company was calculated for their relevant term of office during the reporting period.
- The board of supervisors of the Company received Mr. LIU Zhiyong's resignation letter as a supervisor on 10 April 2017. Mr. LIU Zhiyong resigned from the position as a supervisor of the Company due to work related reasons. Considering that the resignation of Mr. LIU Zhiyong would reduce the number of supervisors to be less than two-thirds of the total number of Supervisors specified in the Articles of Association and according to relevant provisions of the Articles of Association, before the appointment of a new supervisor, Mr. LIU Zhiyong will continue to perform the duties as a supervisor in accordance with laws, regulations, regulatory documents and provisions of the Articles of Association. The Company will complete the election of new supervisor(s) and other related work as soon as possible in accordance with relevant laws and regulations and provisions of the Articles of Association.

## Section 9

### Directors, Supervisors, Senior Management and Employees

#### (III) Members of senior management

As of the date of this report, details of the current and former senior management of the Company are set out below:

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether also remunerated from shareholders during the reporting period
WAN Feng	Chief Executive Officer	In Office	Male	April 1958	Since March 2016	284.98	195.02	No
	Chief Operation Officer (President)	Resigned			Since October 2014 until March 2016			
LI Zongjian	Vice President	In Office	Male	July 1960	Since January 2017	30.81	18.89	Yes
YANG Zheng	Vice President	In Office	Male	May 1970	Since December 2016	37.66	24.49	No
	Chief Financial Officer (Financial Principal)				Since February 2017			
LIU Yigong	Vice President	In Office	Male	September 1959	Since December 2004	225.62	146.44	No
LI Yuan	Vice President	In Office	Male	August 1962	Since October 2016	159.60	92.45	No
	Assistant to President	Resigned			Since February 2013 until September 2016			
GONG Xingfeng	Vice President	In Office	Male	October 1970	Since October 2016	156.22	89.66	No
	Chief Actuary	In Office			Since September 2010			
	Board Secretary	In Office			Since March 2017			
	Assistant to President	Resigned			Since February 2013 until September 2016			
YU Zhigang	Vice President	In Office	Male	December 1964	Since October 2016	156.22	89.66	No
	Assistant to President	Resigned			Since February 2013 until September 2016			
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	184.17	112.53	No
	Chief Human Resource Officer	Resigned			Since April 2010 until March 2017			
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since July 2011	151.40	85.72	No
LIU Qiyang	Assistant to President	In Office	Male	May 1963	-	17.03	7.61	No
	Chief Human Resource Officer	In Office			-			
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	45.45	30.32	No
KANG Dian	Chief Executive Officer	Resigned	Male	July 1948	Since February 2013 until March 2016	72.99	50.41	No
HUANG Ping	Vice President	Resigned	Male	March 1956	Since April 2001 until October 2016	188.48	122.99	No
SUN Yuchun	Assistant to President	Resigned	Male	April 1967	Since July 2011 until August 2016	99.39	56.50	No
ZHU Ying	Assistant to President	Resigned	Male	February 1971	Since February 2013 until January 2017	151.35	85.68	No
	Chief Risk Officer (Compliance Principal)				Since February 2013 until January 2017			
	Audit Principal				Since October 2013 until January 2017			
CHEN Zhengyang	Assistant to President	Resigned	Male	April 1971	Since February 2013 until October 2016	132.10	76.39	No



Notes:

1. The 1st meeting of the sixth session of the Board held on 24 March 2016 resolved to appoint Mr. WAN Feng as the chief executive officer of the Company. Mr. KANG Dian ceased to be the chief executive officer of the Company on the same date.
2. The 6th meeting of the sixth session of the Board held on 28 October 2016 resolved to appoint Mr. LI Zongjian, Mr. YANG Zheng, Mr. LIU Yigong, Mr. LI Yuan, Mr. GONG Xingfeng and Mr. YU Zhigang as vice presidents of the Company, of which Mr. YANG Zheng has also served the chief financial officer (financial principal), and Mr. GONG Xingfeng has also served as the chief actuary and the Board secretary of the Company. The meeting resolved to appoint Mr. YUE Ran, Mr. YUAN Chaojun, Mr. ZHU Ying, Mr. LIU Qiyan and Mr. Wang Lianwen as assistant to president of the Company, of which Mr. YUE Ran has also served as the chief human resource officer of the Company, and Mr. ZHU Ying has also served as the chief risk officer (compliance principal) and the audit principal. Mr. HUANG Ping and Mr. CHEN Zhengyang ceased to be the senior management of the Company on the same date. The vice president qualifications of Mr. LI Zongjian were approved by the CIRC on 25 January 2017. The vice president qualifications of Mr. YANG Zheng were approved by the CIRC on 27 December 2016. His qualifications for chief financial officer (financial principal) were approved by the CIRC on 28 February 2017. The board secretary qualifications of Mr. GONG Xingfeng were approved by the CIRC on 6 March 2017. The assistant to president qualifications of Mr. Wang Lianwen were approved by the CIRC on 7 February 2017. The appointment of Mr. LI Yuan, Mr. Gong Xingfeng and Mr. YU Zhigang as vice president has been submitted to the CIRC for filing purpose. As at the date of this report, assistant to president qualifications of Mr. LIU Qiyan is still subject to the approval of the CIRC.
3. The 10th meeting of the sixth session of the Board held on 29 March 2017 resolved to appoint Mr. Liu Qiyan as the chief human resource officer of the Company; and Mr. Yue Ran did not serve as the chief human resource officer any longer.
4. Mr. SUN Yuchun tendered his resignation report to the Company, and he no longer served as the assistant to the president and all the other positions of the Company since 20 August 2016. Mr. ZHU Ying tendered his resignation report to the Company, and he no longer served as the assistant to president of the Company and all the other positions of the Company since 1 February 2017.
5. The remuneration of members of the senior management was calculated for their relevant term of office during the reporting period. The statistical period of the remuneration of Mr. LI Zongjian, Mr. YANG Zheng, Mr. Liu Qiyan and Mr. Wang Lianwen was from November 2016 to December 2016.
6. The performance bonuses for the senior management in 2016 are not finalized yet. Relevant details will be separately disclosed later.

## Section 9

### Directors, Supervisors, Senior Management and Employees

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

### (I) Directors

***As of the date of this report, biographies of directors of the Company are as follows:***

**Mr. WAN Feng**, aged 59, Chinese

Mr. WAN Feng has been the Chairman of the Board and the Chief Executive officer of the Company since March 2016, and the Executive Director of the Company since November 2014. Mr. Wan has also served as the Chairman of the Asset Management Company since May 2016, and a non-executive director of Asset Management Company since February 2015. He served as the Chief Operation Officer (President) of the Company from October 2014 to March 2016. Prior to joining the Company, he successively served as a vice general manager, a member of party committee, a vice president, a vice secretary of party committee, the president, the secretary of party committee and the vice chairman of the board at China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange (stock code: LFC), the SSE (stock code: 601628) and the HKSE (stock code: 02628)) from August 2003 to August 2014. During the period from September 2007 to August 2014, he also served as a vice president and a member of the party committee at China life Insurance (Group) Company Ltd. Mr. Wan holds a senior economist title, and was granted special allowance by the State Council. Mr. Wan received a bachelor degree in Economics from Jilin College of Finance and Trade in 1982, a master's degree in business administration from the Open University of Hong Kong in 2001, a doctorate degree in economics from Nankai University in 2003.

**Mr. LI Zongjian**, aged 56, Chinese

Mr. LI Zongjian has been an executive director and the vice president of the Company since January 2017. Mr. Li served as a non-executive director of the Company from March 2016 to January 2017. He served as a managing director of the security institutions management department and a managing director and a vice director of the insurance institution management department of Huijin from January 2012 to June 2016. Mr. Li served as a director of China Export & Credit Insurance Corporation from January 2012 to January 2013. Mr. Li served as a deputy general manager, an executive deputy general manager, a member of party committee and the secretary of commission for discipline inspection of Taiping Pension Co. Ltd. and a member of commission for discipline inspection of China Taiping Insurance Group Ltd. from September 2007 to December 2011. Mr. Li served as the secretary general and an executive director of Insurance Society of China and the chief editor of Insurance Studies journal from September 2004 to August 2007. Mr. Li served as a deputy director of general office, a deputy general manager of investment management center and a deputy general manager of development and reform department of China Reinsurance (Group) Corporation and also served the board secretary of China Insurance Media Company Ltd. from May 2000 to August 2007. Mr. Li obtained a bachelor's degree in philosophy from Guizhou University in 1982, a master's degree of psychology from Shaanxi Normal University in 1987 and a doctorate degree in law from the sociology department of the graduate school of Chinese Academy of Social Sciences in 1994.

**Mr. LIU Xiangdong**, aged 47, Chinese

Mr. LIU Xiangdong has been a non-executive director of the Company since October 2010. He is currently employed by Huijin. He served as a senior manager of the comprehensive management department of Huijin from December 2009 to November 2010. From July 2003 to December 2009, Mr. Liu successively served as vice directorate secretary, directorate secretary and assistant inspector in the General Office of the State Council Development Research Center. He received a master's degree in western economics from Peking University in 1999 and a doctorate degree in finance from Renmin University of China in 2009.

**Ms. CHEN Yuanling**, aged 53, Chinese

Ms. CHEN Yuanling has been a non-executive director of the Company since March 2016 and has been a non-executive director of Asset Management Company since December 2016. She is currently employed by Huijin. Ms. Chen served as a non-executive director of China Construction Bank Corporation (a company listed on the SSE (stock code: 601939) and HKSE (stock code: 00939)) from August 2010 to June 2016. From 1985 to 2010, Ms. Chen specialized as a lawyer in economy and finance, worked with Huaxia Securities Co., Ltd. and as a legal adviser of Jilin Provincial Government and a partner of Beijing Kangda Law Firm. Ms. Chen is the first class lawyer, a mediator of China Council for the Promotion of International Trade and Mediation Centre of China Chamber of International Commerce and a committee member of the Professional Committee of Finance, Security and Insurance of All China Lawyers Association. Ms. Chen obtained a bachelor's degree in law from Peking University in July 1985 and graduated from on-the-job graduate student class of Business School of Jilin University in 2000.

**Mr. WU Kunzong**, aged 46, Chinese

Mr. WU Kunzong has been a non-executive director of the Company since July 2014. Mr. Wu currently is the chief financial officer of Baoshan Iron & Steel Co., Ltd. ("Baosteel", a company listed on the SSE (stock code: 600019)). Prior to this, Mr. Wu served as the chief financial officer and the board secretary of Baosteel from June 2016 to February 2017; general manager of the operation and finance department and the director of asset management of Baosteel Group Corporation ("Baosteel Group") from August 2013 to June 2016. He successively served as the head of the audit department, the systematic innovation department and the finance department of Baosteel, and the head of the audit department of Baosteel Group from May 2006 to August 2013. Mr. Wu has not held any directorship in listed public companies in the last three years. Mr. Wu is qualified as a certified public accountant (CPA), an international certified internal auditor (CIA) and a professor-level senior accountant. Mr. Wu obtained a bachelor's degree in accounting from East China Institute of Metallurgy in 1993, a master's degree in accounting from Shanghai University of Finance and Economics in 2004, and a master's degree in business administration from China Europe International Business School in 2008.

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### Directors, Supervisors, Senior Management and Employees

#### **Mr. HU Aimin**, aged 43, Chinese

Mr. HU Aimin has been a non-executive director of the Company since June 2016. Mr. Hu is currently the general manager of the investment management department of Baowo Group, and holds various positions such as a director of Shanghai-Hangzhou Railway Passenger Special Line Co., Ltd. (滬杭鐵路客運專線股份有限公司) and a supervisor of Neusoft Corporation. Mr. Hu served as the general manager of the investment management department of Baosteel Group from May 2016 to November 2016; deputy general manager and general manager of the capital operation department of Baosteel Group from March 2014 to May 2016; deputy general manager of the capital operation department of Fortune Investment Co., Ltd. (the capital operation department of Baosteel Group) from June 2012 to March 2014. He successively served as a senior manager of the asset management department, head of investment merger department, deputy general manager and chief manager of financial consultant of Baosteel Group from June 2003 to June 2012. Mr. Hu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

#### **Mr. DACEY John Robert**, aged 56, American

Mr. DACEY John Robert has been a non-executive director of the Company since August 2014. Mr. Dacey currently is the chief strategy officer and a member of executive committee of Swiss Re Group. Prior to this, Mr. Dacey was the chairman of Admin Re<sup>®</sup> from November 2012 to May 2015 and was the vice chairman for Asia-Pacific, a member of executive committee and the chief executive officer for the headquarters of Japan and Asia-Pacific of AXA from 2007 to 2012; the chief strategy officer and a member of the executive committee of Winterthur Insurance from 2005 to 2007. Mr. Dacey obtained a bachelor of arts in economics from Washington University in St. Louis in 1982 and a master's degree in public policy from Harvard University in 1986.

#### **Mr. LI Xianglu**, aged 67, Chinese

Mr. LI Xianglu has been an independent director of the Company since March 2016. He currently serves as the senior counsel of Plateau Holding Co., Ltd. and Kheng Leong (Shanghai) Investment Management Co., Ltd. From 1990 to 2007, Mr. Li successively served as the vice president and senior counsel of Kidder, Peabody & Co., Inc., investment counsel of China Agribusiness Trust & Investment (Hong Kong) Corporation, senior counsel of Clear Stream Bank, investment counsel of Tianjin Taida Group Co., Ltd. and senior counsel of Kheng Leong (Shanghai) Investment Management Co., Ltd. Mr. Li holds a master's degree in politics from Columbia University.

**Mr. ZHENG Wei**, aged 43, Chinese

Mr. ZHENG Wei has been an independent non-executive director of the Company since March 2016. He is the dean of the department of risk management and insurance of the School of Economics of Peking University and the secretary general of China Center for Insurance and Social Security Research (the "CCISSR") and serves as an independent non-executive director of Donghai Marine Insurance Co., Ltd., a supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE (stock code: 601998) and the HKSE (stock code: 00998)), member of council and vice secretary-general of Insurance Society of China, member of council of China Association of Social Security and China Institute of Insurance Law. Since March 1999, Mr. Zheng has successively served as teaching assistant, lecturer, vice professor, professor and professor and doctoral supervisor, the assistant to the dean, vice dean and dean of the department of risk management and insurance of the School of Economics of Peking University. From August 1998 to January 2000, Mr. Zheng was a visiting scholar at University of Wisconsin in Madison. Mr. Zheng obtained a bachelor's, a master's and doctorate degree in economics from Peking University in 1995, 1998 and 2003, respectively.

**Mr. FONG Chung Mark**, aged 65, Chinese (Hong Kong Permanent Resident)

Mr. FONG Chung Mark has served as an independent non-executive director of the Company since July 2011. He currently also serves as an independent non-executive director of Sinopec Kantons Holdings Limited (a company listed on the HKSE (stock code: 00934)), an independent non-executive director of Macau Legend Development Limited (a company listed on the HKSE (stock code: 01680)), an independent non-executive director of Worldsec Limited (a company listed on the London Stock Exchange (stock code: WSL)), and an independent non-executive director of China Oilfield Services Limited (a company listed on the SSE (stock code: 601808) and the HKSE (stock code: 02883)). He also served as an executive director for China development of Grant Thornton International Ltd. from June 2009 to December 2013. He served as a partner in Grant Thornton from June 2007 to May 2009. Mr. Fong is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. He has been a fellow of the Hong Kong Institute of Certified Public Accountant (Practising) from 1980 to 2010. Mr. Fong received his bachelor's degree in electronic & electrical engineering from University College London in 1972 and received his master's degree in biomechanics from University of Surrey in 1973.

**Mr. CHENG Lie**, aged 61, Chinese

Mr. CHENG Lie has served as an independent non-executive director of the Company since August 2016. Mr. Cheng served as the general manager of the resources integration department of China Life Insurance (Group) Co., Ltd. from May 2013 to January 2016, the general manager of the banking insurance department of China Life Insurance Company Ltd. from January 2008 to April 2013. He successively served as a member of the party committee and the deputy general manager of Hong Kong branch of China Life Insurance (Overseas) Co., Ltd. Mr. Cheng graduated from Jiangxi Industry Polytechnic College (currently "Nanchang University") and holds a senior economist title.

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### Directors, Supervisors, Senior Management and Employees

#### **Mr. NEOH Anthony Francis**, aged 70, Chinese (Hong Kong Permanent Resident)

Mr. NEOH Anthony Francis has served as an independent non-executive director of the Company since September 2016. Mr. Neoh is currently the Senior Counsel in the chambers of Mr. Anthony Neoh, SC, and an independent non-executive director of Industrial and Commercial Bank of China Limited (a company listed on the SSE (stock code: 601398) and the HKSE (stock code: 01398)) and CITIC Ltd. (a company listed on the HKSE (stock code: 00267)). Mr. Neoh held various positions including member of the International Advisory Council of CSRC, the Chief Advisor to the CSRC, a member of the Hong Kong Special Administrative Region Basic Law Committee under the Standing Committee of the National People's Congress, and Chairman of the HKSF. He served as an independent non-executive director of China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange (stock code: LFC), the SSE (stock code: 601628) and the HKSE (stock code: 02628)) from June 2010 to July 2016 and an independent non-executive director of Bank of China Limited (a company listed on the SSE (stock code: 601988) and the HKSE (stock code: 03988)) from August 2004 to September 2013. Mr. Neoh was appointed as Queen's Counsel (now retitled as Senior Counsel) in Hong Kong in 1990. Mr. Neoh graduated from the University of London with a degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the Degree of Doctor of Laws, *honoris causa*, by the Chinese University of Hong Kong. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. He was awarded the Degree of Doctor of Social Science, *honoris causa*, respectively by the Open University of Hong Kong in 2013 and by Lingnan University in 2016.

#### **(II) Supervisors**

*As of the date of this report, biographies of supervisors of the Company are as follows:*

#### **Mr. WANG Chengran**, aged 58, Chinese

Mr. WANG Chengran has been a shareholder representative supervisor and the chairman of the Board of Supervisors since July 2014. He currently serves as the chairman of Hwabao Trust Co., Ltd., a non-executive director of the Asset Management Company, Baosteel Group Finance Co., Ltd., China Pacific Insurance (Group) Co., Ltd. (a company listed on the SSE (stock code: 601601) and the HKSE (stock code: 02601)) China Bohai Bank Co., Ltd., China Trust Protection Fund Co Ltd. and Sailing Capital International (Shanghai) Co., Ltd., and the chairman of the board of supervisors of Sailing Capital Management Co., Ltd. Mr. Wang served as a non-executive Director of the Company from December 2009 to January 2014. Mr. Wang has served as a director of Sailing Capital International (Shanghai) Co., Ltd. since December 2013. Mr. Wang served as a director of Shanghai Baosight Software Co., Ltd. (a company listed on the SSE (stock code: 600845; stock code of B shares: 900926)) from April 2013 to February 2015. From May 2009 to March 2015, Mr. Wang served as a non-executive director of China CSSC Holdings Limited (a company listed on the Shanghai Stock Exchange (stock code: 600150)). From April 2008 to August 2015, Mr. Wang served as a non-executive director of Huatai Insurance Group Co., Ltd. Mr. Wang served as the secretary of the party committee of the financial system of Baosteel Group from June 2012 to November 2016, and the secretary of commission for discipline inspection of Ouyeel Co., Ltd. from June 2015 to April 2016. During the period from June 2003 to June 2012, Mr. Wang successively served as the vice director and the director of the asset management department, the business director and the director of the asset management department, and the assistant general manager of Baosteel Group. He held the position of the chairman of Fortune Investment Co., Ltd. from June 2009 to January 2010. Mr. Wang holds an economist title. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

**Mr. LIU Zhiyong**, aged 45, Chinese

Mr. LIU Zhiyong has been a shareholder representative supervisor since March 2016. He joined the Company in April 2017 and serves as the general manager of the human resources department. He served in China Investment Corporation as a senior manager of the human resources department from January 2011 to April 2017 and the director of the research and planning team from July 2014 to April 2017, and served in PICC Property and Casualty Company Limited as a section chief from July 2003 to January 2011. Mr. LIU received a bachelor degree in chemical engineering from Nanjing University of Science & Technology in 1994 and a master degree in business management from Capital University of Economics and Business in 2002. He received his doctorate degree in human resources management from Renmin University of China in 2017.

**Mr. WANG Zhongzhu**, aged 49, Chinese

Mr. WANG Zhongzhu has been an employee representative supervisor since March 2016 and has been the director of discipline inspection and supervision office of the Company since February 2011. He also serves as the supervisor of the following subsidiaries of the Company: New China Pension, Xinhua Seniors Service, Electronic Commerce, Hefei Supporting Operation. Mr. Wang served as a presiding deputy director of the inspection office of the Company since April 2010 to January 2011. Mr. Wang has successively served as a staff, a deputy principle staff, principle staff, a deputy division head, a disciplinary inspector and a division head in Central Commission for Discipline Inspection of Communist Party of China and Ministry of Supervision of China from July 1988 to March 2010. Mr. Wang received a bachelor's degree of economics in Investment Economic Management from Zhongnan University of Economics and Law in 1988.

**Mr. BI Tao**, aged 42, Chinese

Mr. BI Tao has been an employee representative supervisor since March 2016 and has been the deputy general manager of the audit department of the Company since January 2016. He also serves as the supervisor of the following subsidiaries of the Company: Health Technology, Xinhua Seniors Service, Hainan Seniors, Shanggu Real Estate, Electronic Commerce, Hefei Supporting Operation. Mr. Bi joined the Company in October 2003. He successively held various positions including an assistant to the general manager, a deputy general manager of the risk management department of the Shandong branch of the Company, the deputy division head and division head of the audit department, and an assistant to the general manager of the headquarter. Mr. Bi received a bachelor's degree of economics in Accounting from Shandong Finance College.

## Section 9

### Directors, Supervisors, Senior Management and Employees

#### (III) Members of senior management

*As of the date of this report, biographies of senior management of the Company are as follows:*

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

**Mr. LI Zongjian**, See “II Biographies of directors, supervisors, senior management – (I) Directors” in this section.

**Mr. YANG Zheng**, aged 46, Chinese

Mr. YANG Zheng has been a vice president of our Company since December 2016. He was appointed as the Chief Financial Officer (Financial Principal) since February 2017. He is concurrently a non-executive director of Asset Management Company since December 2016. Prior to joining the Company, Mr. Yang served as an assistant general manager, a deputy general manager and the general manager of the finance department, the general manager of the investment management department, the chief executive financial officer and a vice-president of the China Life Insurance Company Limited from July 2005 to August 2016. Mr. Yang possesses the qualifications of American Institute of Certified Public Accountants and Association of Chartered Certified Accountants. He serves as a director of the eighth session of committee of the Accounting Society of China, a member of the National Technical Committee on Accounting Information of Standardization Administration of China, a member of the 3rd session of the China Insurance Solvency Regulatory Standard Committee and a member of the International Financial Reporting Standards (IFRS) Interpretations Committee. Mr. Yang obtained a bachelor's degree in engineering from Beijing University of Technology in 1993 and a master's degree in business administration from Northeastern University in the United States in 2000.

**Mr. LIU Yigong**, aged 57, Chinese

Mr. LIU Yigong has been a vice president of the Company since December 2004. He has been the chairman of New China Pension since February 2017. He served as the general manager of Central China regional management center from November 2014 to December 2016, the compliance officer of the Company from April 2010 to February 2013, an assistant to the President and general manager of our Beijing Branch from October 2004 to November 2004. Mr. Liu is a senior economist, and a Certified Senior Enterprise Risk Manager (CSERM). He received a master's degree in economics from Zhongnan University of Finance and Economics in 1996.

**Mr. LI Yuan**, aged 54, Chinese

Mr. LI Yuan has been the vice president of the Company since October 2016. Since joining the Company in October 2001, Mr. Li successively served as the assistant general manager, deputy general manager, general manager and senior general manager of Guangdong branch, the director of sales management center, an officer of individual business channel, an officer of bancassurance channel, the regional director and the manager of our Beijing branch, an assistant to president and the regional general manager of South China, and the general manager of our Guangdong branch. Mr. Li is a national senior economist. He obtained a master's degree of EMBA from Sun Yat-sen University in 2010.



**Mr. GONG Xingfeng**, aged 46, Chinese

Mr. GONG Xingfeng has been the vice president of the Company since October 2016, the Chief Actuary of our Company since September 2010, and the Board Secretary of the Company since March 2017. He has been a director and the chief actuary of New China Pension since January 2017. Since joining the Company in January 1999, Mr. Gong has successively served as an assistant general manager of the actuarial department, the deputy general manager of the underwriting approval and claims settlement department, the general manager of the Customer Service Department, the chief actuary, and an assistant to president. Mr. GONG Xingfeng was the head of investment business of Asset Management Company. Mr. Gong is a senior economist and an actuary. He received a master's degree in economics from Central University of Finance and Economics in 1996, and obtained his master's degree in business administration from China Europe International Business School in 2011.

**Mr. YU Zhigang**, aged 52, Chinese

Mr. YU Zhigang has been a vice president of the Company since October 2016 and is currently the chairman of Electronic Commerce. Mr. Yu joined the Company in April 1997. Since March 2007, Mr. Yu had successively been the general manager and then senior general manager of Shanghai branch, senior general manager of Beijing branch, the regional director and senior general manager of Beijing branch, director of bancassurance channel, regional general manager of Central China, an assistant to president and regional general manager of East China. Mr. Yu is an intermediate editor. He received a bachelor degree of Chinese linguistic literature from Peking University in 1986, completed monetary banking course from Graduate School of Chinese Academy of Social Sciences in 1998 and received a master's degree of EMBA from Guanghua School of Management of Peking University in 2010.

**Mr. YUE Ran**, aged 54, Chinese

Mr. YUE Ran has been an assistant to president since February 2013; and the chief human resources officer of our Company from April 2010 to March 2017. Since joining the Company on January 2010 to March 2010, Mr. Yue had been the director of the Party Office and the director of investigation office. Prior to joining the Company, from October 2008 to January 2010, Mr. Yue served as the deputy general manager of the human resources department at China Unicom Group. From January 2004 to October 2008, Mr. Yue served as the deputy general manager of the human resources department at China Netcom Group. Mr. Yue obtained a bachelor's degree in philosophy from Capital Normal University in 1984. He completed graduate studies in enterprise management at the University of International Business and Economics in 2003.

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### Directors, Supervisors, Senior Management and Employees

#### **Mr. YUAN Chaojun**, aged 45, Chinese

Mr. YUAN Chaojun has been an assistant to president of the Company since July 2011, and general manager of Beijing branch since March 2013. Since joining the Company in November 2002, Mr. Yuan has successively served as the general manager of the central branch in Weifang, the assistant general manager, the vice general manager, the general manager and the senior general manager of Shandong branch, the director of the individual business, the general manager of North China, and the general manager of North East China. Mr. Yuan holds the mid-level professional insurance qualification. He obtained his degree of executive master of business administration from Zhongnan University of Economics and Law in 2011.

#### **Mr. LIU Qiyang**, aged 53, Chinese

Mr. LIU Qiyang was appointed as the assistant to president of the Company (The assistant to president qualifications are still subject to the approval of the CIRC) on the 6th meeting of the sixth session of the Board held on 28 October 2016; and he was appointed as the chief human resources officer of the Company on the 10th meeting of the sixth session of the Board held on 29 March 2017. Prior to joining the Company, during the period from May 1997 to June 2016, Mr. Liu had successively served as the principal staff office of the Inner Mongol branch of China Life Insurance Company Limited, Secretary of the Party and general manager of Manchuria branch, Secretary of the Party and general manager of Hulunbeier branch, Secretary of the Party and general manager of Hohhot branch, general manager of human resources department and head of the organization department of the Party of the headquarter, Secretary of the Party and general manager of Hebei branch. Mr. Liu is a senior economist. He obtained a bachelor's degree in agriculture from Inner Mongolia Forestry College in 1986 and EMBA master's degree from Tsinghua University in January 2013.

#### **Mr. WANG Lianwen**, aged 48, Chinese

Mr. WANG Lianwen has been an assistant to president of the Company since February 2017. Since joining the Company in May 2010, Mr. Wang had successively served as the legal person business director of the Company, the chief officer and the regional general manager of North West China and the general manager of Shaanxi branch. Mr. Wang is an intermediate accountant and an economist. He received a master's degree in economics from Shanghai University of Finance and Economics in 1995 and a doctorate degree in economics from Fudan University in 2004.

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

As of the date of the report, positions of current directors, supervisors and members of senior management in corporate shareholders and other entities are as follows:

#### (I) Positions in corporate shareholders

Name	Name of shareholders	Position held	Term
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
CHEN Yuanling	Central Huijin Investment Ltd.	Employee	Since August 2010
HU Aimin	Baowu Steel Group Corporation Ltd.	General Manager of the investment management department	Since December 2016
DACEY John Robert	Swiss Re Group	Chief Strategy Officer Member of Executive Committee	Since October 2012 Since November 2012

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

Name	Name of Other Entities	Position held	Term
WAN Feng	New China Asset Management Co., Ltd.	Chairman of the board	Since May 2016
		Non-Executive Director	Since February 2015
CHEN Yuanling	New China Asset Management Co., Ltd.	Non-Executive Director	Since December 2016
WU Kunzong	Baoshan Iron & Steel Co., Ltd.	Chief Financial Officer	Since June 2016
LI Xianglu	Plateau Holding Co., Ltd.	Senior counsel	Since November 2013
	Kheng Leong (Shanghai) Investment Management Co., Ltd.	Senior counsel	Since April 2007
ZHENG Wei	Peking University	Chair of the Department of Risk Management and Insurance	Since September 2010
	Donghai Marine Insurance Co., Ltd.	Independent Non-Executive Director	Since June 2016
FONG Chung Mark	China CITIC Bank Co., Ltd.	Supervisor	Since May 2015
	Sinopec Kantons Holdings Limited	Independent Non-Executive Director	Since September 2004
	Worldsec Limited	Independent Non-Executive Director	Since February 1997
	Macau Legend Development Limited	Independent Non-Executive Director	Since June 2012
	China Oilfield Services Limited	Independent Non-Executive Director	Since June 2015
	Hong Kong Institute of Certified Public Accountants	Chairman of Auditing Committee	Since February 2016
NEOH Anthony Francis	Institute of Chartered Accountants in England & Wales	Council Member	Since June 2016
	The Ministry of Finance of the PRC	Accounting Consultant	Since June 2016
	The Chambers of Mr. Anthony Neoh, SC	Senior Counsel	Since June 2004
	Industrial and Commercial Bank of China Limited	Independent Non-Executive Director	Since April 2015
	CITIC Limited	Independent Non-Executive Director	Since December 2014

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### Directors, Supervisors, Senior Management and Employees

Name	Name of Other Entities	Position held	Term
WANG Chengran	Hwabao Trust Co., Ltd.	Chairman of the board	Since January 2015
	Baosteel Group Finance Co., Ltd.	Non-Executive Director	Since March 2010
	New China Asset Management Co., Ltd.	Non-Executive Director	Since January 2010
	China Pacific Insurance (Group) Co., Ltd.	Non-Executive Director	Since June 2010
	China Trust Protection Fund Co Ltd.	Non-Executive Director	Since August 2015
	China Bohai Bank Co., Ltd.	Non-Executive Director	Since January 2010
	Sailing Capital International (Shanghai) Co., Ltd.	Non-Executive Director	Since December 2013
	Sailing Capital Management Co., Ltd.	Chairman of the Board of Supervisors	Since December 2013
	Ouyeel Company Ltd.	Director	Since January 2015
	Shanghai Ouyeel Information Technology Co., Ltd.	Director	Since February 2015
	Shanghai Ouyeel Materials Technology Co., Ltd.	Director	Since February 2015
WANG Zhongzhu	Shanghai Ouyeel Logistics Co., Ltd.	Director	Since February 2015
	New China Pension Insurance Company Ltd. (新華養老保險股份有限公司)	Supervisor	Since January 2017
	New China Home-based Care Services (Beijing) Co., Ltd.	Supervisor	Since May 2012
	New China Electronic Commerce Co., Ltd.	Supervisor	Since January 2014
BI Tao	Hefei New China Life Supporting Construction Operation Management Co., Ltd.	Supervisor	Since April 2014
	New China Village Health Technology (Beijing) Co., Ltd.	Supervisor	Since January 2016
	Xinhua Village Seniors Services (Beijing) Co., Ltd.	Supervisor	Since January 2016
	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd.	Supervisor	Since January 2016
	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd.	Supervisor	Since January 2016
	New China Electronic Commerce Co., Ltd.	Supervisor	Since January 2016
	Hefei New China Life Supporting Construction Operation Management Co., Ltd.	Supervisor	Since January 2016
YANG Zheng	New China Asset Management Co., Ltd.	Non-Executive Director	Since December 2016
LIU Yigong	New China Pension Insurance Company Ltd. (新華養老保險股份有限公司)	Chairman	Since February 2017
GONG Xingfeng	New China Pension Insurance Company Ltd. (新華養老保險股份有限公司)	Director Chief Actuary	Since January 2017
YU Zhigang	New China Electronic Commerce Co., Ltd.	Chairman of the board	Since August 2016

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

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

During the reporting period, the aggregate amount of after tax remuneration that directors, supervisors and members of senior management received from the Company is RMB24.2021 million and the total amount of individual income tax paid is RMB13.8231 million. For detailed remuneration of each individual, please refer to "I. Directors, supervisors and members of senior management".

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

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

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

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

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

At of 31 December 2016, according to the information available to the Company and the information our directors are aware of, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

## Section 9

### Directors, Supervisors, Senior Management and Employees

#### VI. The Company's employees

As of 31 December 2016, there are a total of 54,378 employees who entered into employment contracts with the Company (life insurance headquarter and 35 branches). Their expertise and education background are set out below:

##### (I) Expertise

Expertise	Number	Percentage
Management	1,703	3.13%
Professional	3,012	5.54%
Marketing	42,629	78.39%
Of which: Contractual field sales personnel	31,879	58.62%
Other	7,034	12.94%
Total	54,378	100.00%

##### (II) Education background

Education background	Number	Percentage
Master's degree	1,251	2.30%
Bachelor's degree	22,670	41.69%
Lower than bachelor's degree	30,457	56.01%
Total	54,378	100.00%

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

The Company has established an improved and all-around staff training system. The headquarter and the branches made joint efforts, under the principle of "practical, useful, effective" and focusing on corporate strategy, business development and staff ability, to design development courses, and provide refined trainings with talent appraisal, case discussion, and online learning. The Company values the integration of "applying knowledge" and "learning through doing", and emphasizes the conversion of the training results in order to actualize rapid familiarity and guide behavior. Meanwhile, in the aspect of learning materials consolidation, it gradually formed on-line and off-line learning resource database, and met the training demands and personalized learning needs.

## Section 10

# Corporate Governance Report

### I. Overview of corporate governance

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

#### (I) General meeting

##### *Shareholders' rights*

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

Shareholder(s) shall have the right to propose convening an extraordinary general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares for over 90 consecutive days ("proposing shareholders") shall have the right to propose convening an extraordinary general meeting. Where proposing shareholders propose convening of an extraordinary general meeting, they shall submit the issues to be resolved and detailed proposals in writing to the Board and make sure that the aforesaid proposals do not violate provisions of laws, regulations, regulatory documents and the Articles of Association. The Board shall give a written reply on whether to convene the extraordinary general meeting within 10 days after receipt of the written proposals submitted by proposing shareholders. Where the Board agrees to convene the extraordinary general meeting, it shall give a notice of such meeting within five days after the resolution is made by the Board. Where the Board does not agree to hold the extraordinary general meeting, it shall give the reasons in writing. If the Board does not approve the proposing shareholders' proposal to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, or it does not give the notice of such meeting within 20 days after receipt of the proposal although it agrees with convening of such meeting, it shall be deemed as refusing to convene the extraordinary general meeting. In this case, proposing shareholders shall have the right to make a written proposal to the Board of Supervisors. The Board of Supervisors shall give a notice of convening such meeting within five days after receipt of the proposal. If the Board of Supervisors fails to give the notice of such meeting within the prescribed period, the proposing shareholders may convene and preside over the meeting by themselves.

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

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

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

#### **General meetings of shareholders**

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

Session	Date	Publication media for resolutions	Publication date
The First Extraordinary General Meeting of 2016	4 March 2016	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	4 March 2016
The Annual General Meeting of 2015	27 June 2016	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	27 June 2016



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

## (II) Directors and the Board

As of the end of the reporting period, the Board had 13 directors consisting of 1 executive director, 7 non-executive directors and 5 independent non-executive directors (“INEDs”). Directors serve a term of three years and are eligible for re-election, but the consecutive terms of INEDs shall not exceed six years.

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

### ***Corporate governance functions***

The Board is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 of the Corporate Governance Code. During the reporting period, the Board reviewed the Company’s compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, and further enhanced the Company’s corporate governance policy and practices.

### ***Board Diversity***

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

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

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

For details of the composition of the Board, please refer to “Directors, Supervisors, Senior Management and Employees – Directors, supervisors and members of senior management” under Section 9 of this report.

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

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

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of the CEO, the COO (President), vice presidents assistants to president, the financial principal and the chief actuary of the Company, as well as such other senior officers as approved by the Board, and its major duties include: to deliver the instructions of the meetings of the Board, and implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real estate investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, and report to the Board; to study on the material decisions of the Company on its operations and provide advice to the Board; to study on the plans of establishment of subsidiaries as well as material management system and proposed selection of personnel to subsidiaries, and hear the work report by assigned personnel; to monitor the Company's regular material operations and activities, and hear the work report by the senior management in connection with regular material operations of the Company; to arrange the implementation of the risk management relating to solvency, build the organizational structure of risk management of solvency, implement the policies and process of risk management of solvency, evaluate the risk conditions of solvency at regular intervals, make solutions for solvency risks, arrange the development and application of the information system of risk management, and other risk management responsibilities authorized by the Board; to hear opinions of the regulators on the regulation of the Company, and deliberate the rectification measures; to review and assess the viability of the corporate governance structure of the Company to ensure that the financial reports, material events reporting system and internal control comply with the standards of corporate governance; and such other functions and authorities of the Executive Committee as authorized by the Board through authorization plans or special resolutions.

### **Board meetings**

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

<b>Session</b>	<b>Date</b>	<b>Publication media for resolutions</b>	<b>Publication date</b>
33th meeting of the fifth session of the Board	2016-1-12	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-1-12
34th meeting of the fifth session of the Board (by circulation of written resolution)	2016-1-20		
35th meeting of the fifth session of the Board (by circulation of written resolution)	2016-1-26		
36th meeting of the fifth session of the Board (by circulation of written resolution)	2016-2-4		
37th meeting of the fifth session of the Board	2016-2-25	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-2-25
1st meeting of the sixth session of the Board	2016-3-24	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-3-24
2nd meeting of the sixth session of the Board	2016-3-29	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-3-29
3rd meeting of the sixth session of the Board	2016-4-29	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-4-29
4th meeting of the sixth session of the Board	2016-7-26	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-7-26
5th meeting of the sixth session of the Board	2016-8-30	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-8-30
6th meeting of the sixth session of the Board	2016-10-28	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-10-28
7th meeting of the sixth session of the Board	2016-12-20	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-12-20

## Section 10

### Corporate Governance Report

#### **Attendance of meetings of directors**

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

#### **Attendance of general meetings**

On 4 March 2016, the Company held the First Extraordinary General Meeting of 2016. The attendance record of the fifth session of the Board is as follows:

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

On 27 June 2016, the Company held the 2015 Annual General Meeting. The attendance record of the sixth session of the Board is as follows:

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
<b>Executive Director</b>				
WAN Feng	1	1	100%	
<b>Non-Executive Directors</b>				
LI Zongjian	1	1	100%	
LIU Xiangdong	1	1	100%	
CHEN Yuanling	1	1	100%	
WU Kunzong	1	1	100%	
HU Aimin	1	1	100%	
DACEY John Robert	1	0	0	DACEY John Robert could not attend for business reasons
ZHANG Guozheng	1	1	100%	
<b>INEDs</b>				
CAMPBELL Robert David	1	0	0	CAMPBELL Robert David could not attend for business reasons
LI Xianglu	1	1	100%	
ZHENG Wei	1	1	100%	
FONG Chung Mark	1	0	0	FONG Chung Mark could not attend for business reasons
CHENG Lie	0	0	0	
NEOH Anthony Francis	0	0	0	

### Attendance of Board meetings

In 2016, the fifth session of the Board held five ad-hoc Board meetings. The attendance record is as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
<b>Executive Directors</b>					
KANG Dian	5	5	0	100%	
WAN Feng	5	5	0	100%	
<b>Non-Executive Directors</b>					
ZHAO Haiying	5	3	2	60%	ZHAO Haiying could not attend the 33rd, 37th meetings of the fifth session of the Board in person for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof
MENG Xingguo	5	4	1	80%	MENG Xingguo could not attend the 33rd meeting of the fifth session of the Board in person for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof
LIU Xiangdong	5	5	0	100%	
WU Kunzong	5	4	1	80%	WU Kunzong could not attend the 37th meeting of the fifth session of the Board in person for business reasons but appointed director MENG Xingguo to attend and exercise the voting right on behalf thereof
DACEY John Robert	5	4	1	80%	DACEY John Robert could not attend the 33rd meeting of the fifth session of the Board in person for business reasons but appointed director KANG Dian to attend and exercise the voting right on behalf thereof

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
<b>INEDs</b>					
CAMPBELL Robert David	5	4	1	80%	CAMPBELL Robert David could not attend the 33rd meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director ZHANG Hongxin to attend and exercise the voting right on behalf thereof
CHEN Xianping	5	5	0	100%	
WANG Yuzhong	5	4	1	80%	WANG Yuzhong could not attend the 33rd meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director CHEN Xianping to attend and exercise the voting right on behalf thereof
ZHANG Hongxin	5	5	0	100%	
ZHAO Hua	5	4	1	80%	ZHAO Hua could not attend the 33rd meeting of the fifth session of the Board in person for business reasons but appointed independent non-executive director ZHANG Hongxin to attend and exercise the voting right on behalf thereof
FONG Chung Mark	5	5	0	100%	

## Section 10

### Corporate Governance Report

In 2016, the sixth session of the Board held four regular Board meetings and three ad-hoc Board meetings. The attendance record is as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
<b>Executive Director</b>					
WAN Feng	7	7	0	100%	
<b>Non-Executive Directors</b>					
LI Zongjian	7	7	0	100%	
LIU Xiangdong	7	6	1	86%	LIU Xiangdong could not attend the 4th meeting of the sixth session of the Board in person for business reasons but appointed director CHEN Yuanling to attend and exercise the voting right on behalf thereof
CHEN Yuanling	7	6	1	86%	CHEN Yuanling could not attend the 1st meeting of the sixth session of the Board in person for business reasons but appointed director LIU Xiangdong to attend and exercise the voting right on behalf thereof
WU Kunzong	7	6	1	86%	WU Kunzong could not attend the 5th meeting of the sixth session of the Board in person for business reasons but appointed director HU Aimin to attend and exercise the voting right on behalf thereof
HU Aimin	4	4	0	100%	
DACEY John Robert	7	4	3	57%	DACEY John Robert could not attend the 2nd, 5th, 6th meetings of the sixth session of the Board in person for business reasons but appointed director WAN Feng to attend and exercise the voting right on behalf thereof
ZHANG Guozheng	7	6	1	86%	ZHANG Guozheng could not attend the 6th meeting of the sixth session of the Board in person for business reasons but appointed director WAN Feng to attend and exercise the voting right on behalf thereof



Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
<b>INEDs</b>					
CAMPBELL Robert David	4	0	4	0	CAMPBELL Robert David could not attend the 1st, 2nd meetings of the sixth session of the Board in person for business reasons but appointed independent non-executive director LI Xianglu to attend and exercise the voting right on behalf thereof; CAMPBELL Robert David could not attend the 3rd, 4th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director ZHENG Wei to attend and exercise the voting right on behalf thereof
LI Xianglu	7	6	1	86%	LI Xianglu could not attend the 7th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director ZHENG Wei to attend and exercise the voting right on behalf thereof
ZHENG Wei	7	7	0	100%	
FONG Chung Mark	7	4	3	57%	FONG Chung Mark could not attend the 2nd meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director LI Xianglu to attend and exercise the voting right on behalf thereof; FONG Chung Mark could not attend the 3rd, 6th meeting of the sixth session of the Board in person for business reasons but appointed independent non-executive director ZHENG Wei to attend and exercise the voting right on behalf thereof
CHENG Lie	3	3	0	100%	
NEOH Anthony Francis	2	2	0	100%	

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

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

In addition, the Company has arranged the directors to participate in relevant training courses at the Company's expenses. During the reporting period, director LI Xianglu, Zheng Wei, NEOH Anthony Francis and CHENG Lie participated in the training provided by the SSE for qualifications for independent non-executive directors. Director CHEN Yuanling, LI Xianglu and CHENG Lie participated in the training for newly appointed directors, supervisors and senior management of insurance companies held by CIRC. Director WAN Feng, LIU Xiangdong, CHEN Yuanling, LI Xianglu and CHENG Lie participated in the special training for directors and supervisors of listed companies in Beijing. All directors had been arranged to participate in compliance training.

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

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

#### ***Strategy and Investment Committee***

In March 2016, the new session of the Strategy and Investment Committee was elected along with new session of the Board. The fifth session of the Strategy and Investment Committee consisted of two executive directors (KANG Dian, WAN Feng), four non-executive directors (ZHAO Haiying, MENG Xingguo, WU Kunzong, DACEY John Robert) and one INED (CAMPBELL Robert David), and KANG Dian served as the chairman. As of the end of the reporting period, the sixth session of the Strategy and Investment Committee consisted of one executive director (WAN Feng), five non-executive directors (LI Zongjian, CHEN Yuanling, ZHANG Guozheng, HU Aimin, DACEY John Robert) and one INED (NEOH Anthony Francis), and WAN Feng served as the chairman.

1. *Duties of the Strategy and Investment Committee*

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

2. *Meetings and attendance*

During the reporting period, the Strategy and Investment Committee held seven meetings in total. Two meetings were held by the fifth session of the Strategy and Investment Committee and five meetings were held by the sixth session of the Strategy and Investment Committee.

Attendance record of the fifth session of the Strategy and Investment Committee is as follows:

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

Attendance record of the sixth session of the Strategy and Investment Committee is as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
WAN Feng	5	5	0
LI Zongjian	5	5	0
CHEN Yuanling	5	5	0
ZHANG Guozheng	5	5	0
HU Aimin	4	3	1
DACEY John Robert	5	2	3
NEOH Anthony Francis	2	1	1

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

In 2016, the Strategy and Investment Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Strategy and Investment Committee:

- (1) To consider the Company's overall strategic plans. During the reporting period, the Strategy and Investment Committee has reviewed the 13th five year' plan, 2016 to 2018 business plan, and 2017 work plan of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To consider matters such as the use of Company's funds, asset management and investment policies. During the reporting period, the Strategy and Investment Committee has reviewed proposals on the 2016 and 2017 entrusted investment management agreements, the investment guidelines for the use of insurance funds, 2016 alternative investment plan, and 2016 to 2018 asset allocation plan, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To consider the proposal on dividend distribution plan. During the reporting period, the Strategy and Investment Committee has reviewed 2015 profit distribution plan, and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To earnestly perform other duties. The Strategy and Investment Committee has played its professional functions in respect of areas such as major investment and financing, the purchase and disposal of real estates, management of subsidiaries, issue of bonds, and amendments to the Articles of Association, etc.

### **Audit Committee**

In March 2016, the new session of the Audit Committee was elected along with new session of the Board. The fifth session of the Audit Committee consisted of two non-executive directors (LIU Xiangdong, WU Kunzong) and five INEDs (CAMPBELL Robert David, WANG Yuzhong, CHEN Xianping, ZHANG Hongxin, FONG Chung Mark), and CAMPBELL Robert David served as the chairman. As of the end of the reporting period, the sixth session of the Audit Committee consisted of three non-executive directors (LIU Xiangdong, WU Kunzong, ZHANG Guozheng) and four INEDs (ZHENG Wei, LI Xianglu, FONG Chung Mark, CHENG Lie), and ZHENG Wei served as the chairman.

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

The main duties of the Audit Committee include: to assess the effectiveness of risk management and internal control; to guide internal audit; to review annual audit work plan and supervise the implementation of internal audit plan; to review internal audit work report, assess the results of internal audit work and supervise the rectification of major problems; to review core business and management regulations and rules and their implementation, examine and assess the compliance and effectiveness of major operations; to examine financial information and its disclosure; to review financial reports and advise as to its truthfulness, completeness and accurateness; to review annual financial budget, final accounts and annual audit report, and make suggestions to the Board; to monitor misconducts in financial reporting and internal control. The Audit Committee shall ensure there is appropriate arrangement for the Company to make fair investigation and take appropriate actions; formulate whistleblowing policy so that the staff and other parties who have transactions with the Company can raise their concerns about misconducts of the Company to the Audit Committee on a non-public basis; report to the Board any suspicious fraud or non-compliance, failure of risk management or internal control or illegal behaviour or violations they found to the Board according the importance, and audit internal investigation results of suspicious fraud, non-compliance, failure of risk management or internal control and illegal behaviour and violations; report to the Board and shareholders of the work results, supervise and assess the work of external audit institution, including: communicate audit scope, audit plan, audit method, and major matters discovered during auditing; the Audit Committee must hold two meetings at least one year with external auditing institutions to discuss, problems and qualified opinions occurred during the audit of interim and annual accounts with auditors, or all matters the auditor wish to discuss (if necessary, shall discuss without the present of the management); hold at least one communication without the presence of the management; ensure the coordinated communication between the management, internal audit department and relevant departments and external auditors; prepare related-party transaction system and formulate major related party standards, and make recommendations to the Board, identify related parties of the Company and report to the Board and the Board of Supervisors; examine various related-party transactions, make special report to the Board in respect of the implementation of related-party transaction system and related-party transactions; put forward improvement opinions and suggestions to the Board on the sufficiency of solvency ability; other relevant duties and responsibilities provided by CIRC, SSE and authorized by the Board; other duties under the principles and code provisions of the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listed Rules.

## Section 10

### Corporate Governance Report

#### 2. Meetings and attendance

During the reporting period, the Audit Committee held nine meetings in total. Three meetings were held by the fifth session of the Audit Committee and six meetings were held by the sixth session of the Audit Committee.

Attendance record of the fifth session of the Audit Committee is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
CAMPBELL Robert David	3	2	1
LIU Xiangdong	3	3	0
WU Kunzong	3	2	1
WANG Yuzhong	3	3	0
CHEN Xianping	3	3	0
ZHANG Hongxin	3	3	0
FONG Chung Mark	3	3	0

Attendance record of the sixth session of the Audit Committee is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
ZHENG Wei	6	6	0
LIU Xiangdong	6	5	1
WU Kunzong	6	3	3
ZHANG Guozheng	6	6	0
FONG Chung Mark	6	1	5
LI Xianglu	6	6	0
CHENG Lie	3	3	0

3. *Performance of duties of the Audit Committee*

In 2016, the Audit Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Audit Committee:

- (1) To regularly examine financial reports and disclosures of the Company. The Audit Committee has reviewed proposals on the annual report of 2015, final account report of 2015 and the changes in accounting estimates of 2015, first quarter report of 2016, interim report of 2016, third quarter report of 2016 of the Company during the reporting period, and communicated with the auditor of the Company in respect of the above proposals, and then issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reporting on 2016 audit work plan from the auditor.
- (2) To examine the internal control and internal audit of the Company. The Audit Committee has reviewed the proposal on the 2015 Internal Control Assessment Report, 2015 Internal Audit Work Report and issued professional opinions consenting to the submission to the Board for its consideration. Audit Committee also heard the reporting on internal audit of the Company for a number of times.
- (3) To examine the related party transactions of the Company. During the reporting period, the Audit Committee had reviewed proposals in relation to related party transactions such as the proposal on signing the Supplementary Agreement to Foreign Investment Entrustment Management Agreement for 2016 with New China Asset Management (Hong Kong) Limited and the related party transactions thereof, the proposal on capital contribution to New China Asset Management (Hong Kong) by the Company and New China Asset Management (Hong Kong) making joint investment with Hwabao Investment in setting up a Sino – foreign joint venture and the related party transactions thereof, and the proposal on the capital contribution to New China Pension by the Company and the related party transactions thereof, and issued professional opinions consenting to the submission to the Board for its consideration. The Audit Committee also heard the reports on the status of related party transactions and the implementation of management system for related party transactions for the year 2015.
- (4) To supervise and assess the work of external audit institution. During the reporting period, the Audit Committee had reviewed the proposal on the appointment of accounting firms for the year 2016, and proposed to the Board to continually appoint Ernst & Young Hua Ming LLP as the domestic auditor of the Company for the year 2016 and Ernst & Young as the international auditor of the Company for the year 2016 to carry out quarterly agreed proceedings audit, interim audit and annual audit.
- (5) To pay attention to the solvency of the Company. During the reporting period, the Audit Committee had reviewed the proposals such as the Report on Solvency of C-ROSS in the Fourth Quarter in 2015, the Report on Solvency of C-ROSS in the Second Quarter in 2016, the Report on Solvency in 2015 and the Report on Solvency of the Group in 2015, and issued professional opinions consenting to the submission to the Board for its consideration.
- (6) To firmly perform other duties. The Audit Committee had fully played its functions in respect of areas such as coordinating the communication between the management, the internal audit department and the external audit institution and audit on resignation of senior management.

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

In March 2016, the new session of the Nomination and Remuneration Committee was elected along with new session of the Board. The fifth session of the Nomination and Remuneration Committee consisted of two non-executive directors (ZHAO Haiying, DACEY John Robert) and four INEDs (ZHAO Hua, WANG Yuzhong, CHEN Xianping, CAMPBELL Robert David), and ZHAO Hua served as the chairman. As of the end of the reporting period, the sixth session of the Nomination and Remuneration Committee consisted of three non-executive directors (CHEN Yuanling, WU Kunzong, DACEY John Robert) and five INEDs (LI Xianglu, ZHENG Wei, FONG Chung Mark, NEOH Anthony Francis, CHENG Lie), and LI Xianglu served as the chairman.

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

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

#### *2. Election of Directors*

Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or the Board, shall have the right to nominate candidates for directors. The shareholders who individually or jointly hold 3% or more of the shares of the Company may propose the nomination candidates for INED to the Shareholders' general meeting directly, but one Shareholder can nominate one INED only. The Nomination and Remuneration Committee and the Board of Supervisors may also nominate candidates for INED. The Nomination and Remuneration Committee shall review the candidates for directors pursuant to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and report its opinions to the Board. After the review by the Board, the nomination proposal shall be submitted to the general meeting for review. Directors are elected by the general meeting. Each director shall serve a term of 3 years and may be reelected at the expiration.



3. *Meetings and attendance*

During the reporting period, the Nomination and Remuneration Committee held 11 meetings in total. Three meetings were held by the fifth session of the Nomination and Remuneration Committee and eight meetings were held by the sixth session of the Nomination and Remuneration Committee.

Attendance record of the fifth session of the Nomination and Remuneration Committee is given as follows:

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

Attendance record of the sixth session of the Nomination and Remuneration Committee is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
LI Xianglu	8	8	0
CHEN Yuanling	3	3	0
WU Kunzong	8	5	3
DACEY John Robert	8	2	6
ZHENG Wei	8	6	2
FONG Chung Mark	8	3	5
NEOH Anthony Francis	2	1	1
CHENG Lie	3	2	1

## Section 10

### Corporate Governance Report

#### 4. *Performance of duties of the Nomination and Remuneration Committee*

In 2016, the Nomination and Remuneration Committee dutifully performed relevant duties in accordance with the Articles of Association and the Work Rules for the Nomination and Remuneration Committee:

- (1) To perform preliminary reviews on the candidates of directors and senior management. During the reporting period, the Nomination and Remuneration Committee had reviewed the candidates of the directors of the sixth session of the Board and the committee members of the special committees and the qualification of the candidates of the senior management of the Company and its major subsidiaries. The committee also reviewed the proposals such as the nomination of the candidates of the directors of the sixth session of the Board, the nomination of the candidates of the INEDs of the sixth session of the Board, the adjustments to the composition of the Board committees and the appointment of the senior management, the members of executive committee and the chief of functional committees, and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To organize evaluation of performance of executive directors and senior management. During the reporting period, the Nomination and Remuneration Committee had reviewed proposals on the results of performance evaluation of senior management for 2015, the distribution plan of the performance bonus of senior management for 2015, the performance appraisal system of senior management and the evaluation plan of senior management for 2016, and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To consider and approve the setting of internal organizational structure of the Company. During the reporting period, the Nomination and Remuneration Committee had reviewed the proposals on the plan for cancellation of regional management centers and the plan for the optimization of the organizational structure of the headquarters, and issued professional opinions consenting to the submission to the Board for its consideration.
- (4) To earnestly perform other duties. The Nomination and Remuneration Committee had conducted studies and discussion on matters such as the strategy and basic system of the overall human resources and remuneration of the Company.

### ***Risk Management Committee***

In March 2016, the new session of the Risk Management Committee was elected along with new session of the Board. The fifth session of the Risk Management Committee consisted of one executive director (WAN Feng), two non-executive directors (MENG Xingguo, DACEY John Robert) and two INEDs (ZHANG Hongxin, CHEN Xianping), and MENG Xingguo serves as the chairman. As of the end of the reporting period, the sixth session of the Risk Management Committee consisted of five non-executive directors (LIU Xiangdong, LI Zongjian, CHEN Yuanling, HU Aimin, DACEY John Robert) and one INED (ZHENG Wei), and LIU Xiangdong served as the chairman.

#### *1. Duties of the Risk Management Committee*

The Risk Management Committee performs the following major duties: to consider the overall objective, fundamental policy and working system of risk management and internal control, monitor and evaluate the related implementation and results and submit suggestions to the Board; to review the effectiveness of the risk management and internal control system as well as the function of internal auditing of the Company towards risk management; to examine and amend the Company's principles of risk appetite and tolerance and submit suggestions to the Board; to formulate, supervise and evaluate the setting and duties of risk management departments and propose suggestions on improvements of risk management; to consider the risk assessment of major resolutions and solutions to major risks and submit suggestions to the Board; to supervise and evaluate the risk control of market and operation conducted by senior management, and submit suggestions to the Board; to regularly evaluate the risks of the Company, review comprehensive risk management reports submitted by risk management departments and submit suggestions to the Board; to regularly examine compliance reports and submit opinions and suggestions on improvements of compliance related matters to the Board; to make sure of the sufficiency of the resources, the qualification, experience and training of employees and the budget of risk management and internal control; to hear the report on the risk level of solvency and risk management situation of the Company by the senior management at regular intervals, and perform other duties on solvency risk management; and to exercise other functions and powers authorized by the Board.

## Section 10

### Corporate Governance Report

#### 2. Meetings and attendance

During the reporting period, the Risk Management Committee held two meetings in total. The fifth session of the Risk Management Committee did not hold any meeting. Two meetings were held by the sixth session of the Risk Management Committee. Attendance record of each member is given as follows:

<b>Name of member</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance</b>	<b>Number of absence</b>
LIU Xiangdong	2	2	0
LI Zongjian	0	0	0
CHEN Yuanling	2	2	0
HU Aimin	0	0	0
DACEY John Robert	2	0	2
ZHENG Wei	2	2	0

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

In 2016, Risk Management Committee dutifully performed its duties in accordance with the Articles of Association and the Work Rules for the Risk Management Committee:

- (1) To make regular evaluation on the risk and compliance condition of the Company. During the reporting period, the Risk Management Committee had reviewed proposals on 2015 Comprehensive Risk Management Report and 2015 Compliance Report of the Company, etc., and issued professional opinions consenting to the submission to the Board for its consideration.
- (2) To review the basic policies of risk management and compliance, and their effectiveness. During the reporting period, the Risk Management Committee had reviewed the proposal on the amendments to the overall risk management policy of the Company, and issued professional opinions consenting to the submission to the Board for its consideration.
- (3) To hear the report on the risk level of solvency and risk management situation of the Company by the senior management at regular intervals. During the reporting period, the Risk Management Committee had reviewed the stress test report on solvency for 2015, and issued professional opinions consenting to the submission to the Board for its consideration.

#### (IV) Board of Supervisors

As of the end of the reporting period, the Board of Supervisors consisted of four supervisors, including two shareholder representative supervisors and two employee representative supervisors.

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

During the reporting period, the Company held six meetings of Board of Supervisors in total. One meeting was held by the fifth session of the Board of Supervisors and five meetings were held by the sixth session of the Board of Supervisors. The details are as follows:

Session	Date	Publication media for resolutions	Publication date
15th meeting of the fifth session of the Board of Supervisors	2016-1-12	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-1-12
1st meeting of the sixth session of the Board of Supervisors	2016-3-24	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-3-24
2nd meeting of the sixth session of the Board of Supervisors	2016-3-29	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-3-29
3rd meeting of the sixth session of the Board of Supervisors	2016-4-29	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-4-29
4th meeting of the sixth session of the Board of Supervisors	2016-8-30	SSE website: <a href="http://www.sse.com.cn">www.sse.com.cn</a> HKSE website: <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> China Securities Journal, Shanghai Securities News	2016-8-30
5th meeting of the sixth session of the Board of Supervisors	2016-10-28		

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

All the supervisors, in accordance with the principle of honesty, earnestly performed the duty of supervising and effectively protected the interests of shareholders, the Company and employees.

Attendance record of the fifth session of the Board of Supervisors during the reporting period is given as follows:

<b>Name of supervisor</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance in person</b>	<b>Number of attendance by proxy</b>	<b>Attendance Rate</b>	<b>Remarks</b>
WANG Chengran	1	1	0	100%	
AI Bo	1	1	0	100%	
LV Hongbo	1	1	0	100%	
CHEN Xiaojun	1	1	0	100%	
LIU Yiyi	1	1	0	100%	
ZHU Tao	1	1	0	100%	
YANG Jing	1	1	0	100%	

Attendance record of the sixth session of the Board of Supervisors during the reporting period is given as follows:

<b>Name of supervisor</b>	<b>Number of scheduled attendance</b>	<b>Number of attendance in person</b>	<b>Number of attendance by proxy</b>	<b>Attendance Rate</b>	<b>Remarks</b>
WANG Chengran	5	5	0	100%	
LIU Zhiyong	5	5	0	100%	
WANG Zhongzhu	5	5	0	100%	
BI Tao	5	5	0	100%	

### **Training for supervisors**

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

In addition, the Company has arranged the supervisors to participate in relevant training courses at the Company's expenses. During the reporting period, supervisor WANG Zhongzhu and BI Tao participated in the training for newly appointed directors, supervisors and senior management of insurance companies held by CIRC. Supervisor LIU Zhiyong and BI Tao participated in the special training for directors and supervisors of listed companies in Beijing. All supervisors had been arranged to participate in compliance training.

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

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

#### **(V) Chairman and chief executive officer**

The Company established the executive committee system and the role of chief executive officer in February 2013. Since March 2016, Mr. WAN Feng, chairman of the Board, was as also the 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.

Meanwhile, the Company has established executive committee and eight functional committees, the duties of which have been clearly defined in the Articles of Association and related rules. Major events of the Company shall be subject to complete consideration and decision-making procedures. All the above shall guarantee that chairman and chief executive officer performs his duties efficiently and diligently.

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

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

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

During the reporting period, each of Mr. ZHU Ying (the previous joint company secretary), Mr. GONG Xingfeng and Ms. MOK Ming Wai attended relevant professional training for no less than 15 hours.

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

During the reporting period, the directors and supervisors of the Company conducted research in branches including Yunnan, Hainan, Zhejiang, etc., and conducted on-site visits in Hefei Supporting Centre and Boao senior care project to encourage front-line employees, understand the operation of the branches, look into the problems in operations faced by the branches and project companies, and timely reported such comments and suggestions to the management of the Company in the form of research reports, which has drawn close attention from the management, and thus had a positive effect on promoting the strategic transformation and improving the risk control and management level of the branches.

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

On 29 March 2016, the 2nd Meeting of the sixth session of the Board considered and approved the *Proposal on the Amendments to the Articles of Association*. On 27 June 2016, the 2015 annual general meeting considered and approved the *Proposal on the Amendments to the Articles of Association*.

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

During the reporting period, the Company strictly observed various regulatory rules of the listing places, and effectively implemented the information disclosure system established, and ensured that domestic and overseas investors can obtain true, accurate and complete information. The Company further improved the information disclosure mechanism, comprehensively straightened up the information disclosure work procedure; integrated with investors relation management to understand and analyse the focus of capital market and investors, continuously enriched the contents of periodic reports with improved disclosure quality; strengthened internal information communication and regularly organised relevant training to reinforce the awareness of information disclosure, thus ensured the timeliness, accuracy and completeness of information disclosure. The Company has completed its information disclosure in compliance. During the reporting period, the Company has completed information disclosure of annual reports, semi-annual reports, quarterly reports and other 48 interim reports.

During the reporting period, the Company further refined the duties and procedures of investor relations and enhanced the communication with domestic and overseas investors to comprehend their various needs in a timely manner. The Company also proactively and efficiently provided sufficient information feedback to investors, which reinforced the mutual understanding between investors and the Company. During the reporting period, the Company received over 70 on-site and telephone surveys from more than 300 domestic and overseas investors/analysts, and attended 21 domestic and overseas investment strategy conferences and met with nearly 210 investment organizations. The Company held annual and interim results press conference, news conference, and more than 200 investors/analysts attended the conferences on-site or by telephone. Afterwards, the Company also conducted international road show presentations and proceeded profound communications with more than 80 large investment institutions. The Company held investors open days, invited investors and analysts and shared the recent business updates with them. More than 50 domestic and overseas analysts and investors, the capital market and media have all given positive comments. Besides, the Company communicated with the investors for hundreds of times via its investor relations hotlines and replying to the messages on its investor relations website and the E-interactive platform of the SSE. The presentation materials relating to the results press conferences and investors open days have been published on the Company's website for investors' perusal.

In 2017, the Company aims to gain more support and attention from investors by further enhancing the quality of information disclosure, strengthening the communication with investors and improving investors' understanding and recognition of the Company.



## II. Duty performance of INEDs

As of the end of the reporting period, the Board included five INEDs who are professionals in areas including laws, insurance, financial affairs, finance and management, etc. The number of INEDs exceeds one third of the number of members of the Board, which is in compliance with the regulatory requirements and the Articles of Association.

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

### (I) INEDs' Attendance of meetings

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

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

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

### (III) Confirmation of independence of INEDs

The Company has obtained written confirmation of each INED on his/her independence from the Company. The Company confirms that all INEDs were independent from the Company as of 31 December 2016.

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

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

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

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

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### Corporate Governance Report

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

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

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

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

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

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

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

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

#### VI. Remuneration of auditors

See Section 7 "Significant Events – VIII. Appointment of accounting firms" of this annual report for remuneration of auditors.

## VII. Responsibilities of directors towards financial statements

Directors confirm that they are obliged to prepare financial statements and to truly and fairly report the Company's position. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix "2016 Audited Financial Report" of this report. To the knowledge of the directors, there were no issues or conditions that may significantly affect the Company's sustained operation. After making appropriate enquiries, the directors consider that the Company has enough resources for sustained operation, therefore the financial statements shall be prepared on a sustainable basis.

## VIII. Internal control

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

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

Based on the internal control requirements such as the *Basic Standard for Enterprise Internal Control* (《企業內部控制基本規範》) (Cai Kuai [2008] No.7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), the *Basic Standards for Internal Control of Insurance Companies* (《保險公司內部控制基本準則》) (Bao Jian Fa [2010] No.69), and the *Internal Control Guidelines for Insurance Fund Application* (《保險資金運用內部控制指引》) (Bao Jian Fa [2015] No.114) the Company has observed the basic principles of combining comprehensiveness and specificity, balancing and coordination, authoritativeness and accommodation, and effective control and reasonable cost, and established and implemented a whole set of top-down internal control system which includes the internal control of financial reports.

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

## Section 10

### Corporate Governance Report

The Company comprehensively identified the risks associated with the businesses, finance and use of funds and determined the scope of risk area which required attention through qualitative and quantitative methods, thereby fully identifying the defects and loopholes in internal control and constantly improving the deficiency rectification and follow-up regime. The organization and implementation of rectification review and acceptance for the purpose of enhancing the effectiveness of rectification with precautionary measures, process control and post-supervision in place guaranteed the efficiency and effectiveness of the operating activities. In 2016, the Company continuously thoroughly carried out internal control and risk-based inspections including the special inspection for the purpose of “strengthening of internal and external control as well as preventing illegal operation and unlawful activities”, the construction and assessment of the solvency risk management ability, risk-based inspection on illegal fundraising and fund cases, and overall risk-based inspection to gradually promote the construction of the China Risk Oriented Solvency System (“C-ROSS”) risk management system and proactively guard against the risk of selling non-insurance financial products and illegal fundraising.

The Company, aiming for transformation and development, continuously strengthened the internal control management foundation; and steadily pushed forward the internal control construction work in various business areas. In respect of sales control, the Company continuously improved the sales management structure, strengthened the systems and procedures on the management of sales personnel, training and quality, and strictly regulated promotion and business expansion activities, continuously focused on improving the quality of business, and strengthened sales risk monitoring. In respect of operation control, the Company continually optimized the operation management system, and operation management processes of new core business system, business quality inspection, product development and others. The Company introduced a series of rules and regulations including personal business of underwriting risk management measures, claim preservation authority management measures, claim business internal risk management measures, and counter risk management measures to continually improve the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized financial management system, identified and managed financial risk effectively in all accounting activities, and enriched the financial management tools, thus enhancing the efficiency of financial services and information quality and guaranteeing the truthfulness and completeness of its financial reports and the relevant information. In respect of the control in utilization of capital, the Company established a dynamic asset liability management mechanism, combined investment management and risk management, strengthened asset allocation management, and strictly identified, evaluated, analyzed and controlled all kinds of risks in the investment process in order to timely adjust its investment strategies and improved its investment portfolio with a view to better matching assets to liabilities and effectively controlling the risk of capital utilization

The Company has established a clearly defined and effective internal and external information and communication system, which imposes strict requirements on the timeliness of information transfer so as to implement the administrative system of information disclosure and improve the administration of insider information and its registration and filing. The Company has also formulated the system of accountability for significant errors of information disclosure in the annual report, which clearly defines the significant errors in information disclosure and its responsibility. The criteria for identifying significant errors and the accountability mechanism have been established and strictly complied with. During 2016, the Company did not discover any significant error in its annual report.

The Company has established a relatively independent internal audit system with centralized management. The audit department is responsible for the arrangement and implementation, in a uniform manner, of internal audit and has been exercising the internal control function. The Company has continuously improved the standardized guidelines for auditing to enhance the auditing quality and promote the standardization of auditing. The Company has also strengthened off-site audits and specific audits, continued to improve the information platform for off-site audits, diversified its audit methods and enhanced its professionalism. By expanding the scope and coverage of auditing, comprehensive audit supervision throughout the entity and the strict post-supervision have been achieved.

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

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Meanwhile, the risk management and internal control system of the Company are designed to manage the risk of failure to achieve business objectives. The Company provides reasonable assurance against non-existence of material false statements or loss. The Company actively carried out self assessment of solvency risk management in 2016 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company clarified its own problems, carried out targeted rectification, and effectively improved the ability of risk management.

Based on the *Basic Standard for Enterprise Internal Control* (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No. 11), and the Hong Kong Listing Rules, the Board has conducted a comprehensive self-assessment on the internal control annually, the scope of which covers the sales management, financial management, operational management, compliance management and risk management functions of the headquarter, branches and subsidiaries. The time interval of the 2016 assessment is from 1 January 2016 to 31 December 2016. By the assessment, the Board is of the view that the establishment and operation of the Company's internal control system are effective and adequate as a whole and the auditor has issued a standard unqualified internal control audit report.

## Section 11

# Corporate Bonds

In the reporting period, the Company had no relevant business that needs to be disclosed.

## Section 12

# Risk Management

### I. Risk Management System – Overall Strategies

The Company has established a risk management organizational system spanning across all major business functions which the Board is ultimately responsible for, as directed by the Executive Committee directly, coordinated by the Legal Compliance and Risk Management Department, closely monitored by the relevant functional departments and entities, and independently audited by the audit department. In 2016, incorporating the requirements of C-ROSS, the Company further optimized the organizational structure of risk management by clearly defining the duties towards solvency risk management of the Board, the Risk Management Committee, the Executive Committee and related departments under the Board from the perspective of corporate governance.

With the aim of pursuing value and on the basis of internal control, the Company facilitated a comprehensive risk management system establishment using both quantitative and qualitative methods to realize the professional operation of risk management, thus making risk management the important basis for the decisions made by the Board and the Executive Committee.

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

The Company steadily carried forward the risk management system and its process development, continuously improved the risk management system and optimized the management process. In 2016, the Company revised the *Comprehensive Risk Management Policies* (《全面風險管理政策》) to implement the idea and requirements of the C-ROSS risk regulation. It formulated various specialized risk management systems including the *Insurance Risk Management System* (《保險風險管理制度》), the *Market Risk Management System* (《市場風險管理制度》), the *Credit Risk Management System* (《信用風險管理制度》), the *Liquidity Risk Management System* (《流動性風險管理制度》) and the *Operation Risk Management System* (《操作風險管理制度》) to facilitate the establishment of specialized risk management systems. The Company also revised the *Provisions for Administration of Emergencies* (《突發事件應急管理辦法》) to improve its emergency management system. The Company set up the internal control management process of C-ROSS, completed the working process for preparing the measurement of C-ROSS capital and solvency report, and compiled the working process of solvency risk management capabilities self assessment and operation manual.

In 2016, the Company constantly optimized its risk monitoring and reporting mechanism for monthly risk assessment monitoring the key risk indicators for seven major risks under the comprehensive risk management system, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk, and for providing the headquarter and branches with risk warning and reminder through the early warning system.

The Company constantly optimized its risk management information system, and realized various functions such as data collection and processing, key risk indicator monitoring and early warning, risk reporting and reporting management, doubtful operation monitoring and risk incident management. The Company accurately eliminated and efficiently addressed the risks through modern information technology by monitoring indicators and data arising from the operation and management of the Company, thus timely detecting, identifying and warning potential risks.

Incorporating the requirements of C-ROSS, the Company proactively improved its risk management capabilities. By conducting self-assessment and comprehensive benchmarking analysis of its solvency risk management capabilities, problems in the existing risk management system were identified and corresponding improvement plans were formulated, the risk management standard can thus be enhanced effectively.

## **II. Risk Identification and Control**

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

### **(I) Market Risk**

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

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

In order to handle the market risks, the Company primarily adopted the following risk control measures in 2016: 1. placing emphasis on macro-economic studies and prospectively estimating domestic and international market trends; 2. regular analysis of historical risk and returns of major assets; 3. proactively managing the positions of equity assets and conducting regular stress tests on its impact on level of return on investment and solvency adequacy ratio to keep risk exposures under control; 4. making stable investment and insisting on asset liability matching as our focus of management; 5. sticking to value investment and selecting assets with potential value appreciation, pursuing for middle-to-long term investment gains; 6. adopting value management as our core value while monitoring the overall liquidity of our assets and gradually adjusting our investment portfolio by adding new assets, so as to match the risk and gain characteristics of the overall investment portfolio with the value and risk management requirements of the Company; and 7. enhancing risk monitoring and early warning to strengthen risk emergency management.



## (II) Credit Risk

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

### 1. Credit Risk of Investment Business

The Company primarily monitors the credit rating and concentration of investment targets and counterparties to control the proportion of investments with lower credit rating and to ensure that the overall credit risk exposure is within control. More than 95% of the investment deposits and bond holdings of the Company have a credit rating of AAA and the credit rating of the major counterparties is AAA with low credit default risk. The majority of the non-standard financial product investments held by the Company are senior fixed income financial products with good credit enhancement arrangements, for which the overall risk is under control.

To address the credit risk of the investment business, the Company primarily adopted the following measures in 2016: (1) strengthening the system, and implementing a strict internal credit and credit rating system for counterparties and making stringent check on the categories of credit investment products; (2) implementing subject credit with respect to non-standard financial product investments to prevent credit risk; (3) reinforcing credit enhancement arrangements with respect to non-standard financial product investments; and (4) regularly tracking down and monitoring the credit risk of investment portfolios, analyzing and assessing the probability and impacts of credit default events.

### 2. Reinsurance Credit Risk

In respect of reinsurance credit risk, the Company conducts assessment mainly based on the credit ratings of reinsurance counterparties. In 2016, there were a total of 10 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Nine of them obtained Standard & Poor's rating: one company had AA+ rating, three companies had AA- rating, four companies had A+ rating, and one company had A- rating. The remaining company had A.M. Best's rating with A+ rating. The Company had good credit distribution within the reinsurance ceding business without material credit risk.

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

### (III) Insurance Risk

Insurance risk refers to the risk of suffering losses arising from the unfavorable deviation of the actual situation from the projections by the assumptions, such as mortality rate, morbidity rate, compensation rate, surrender rate and expense rate.

The Company assesses and monitors insurance risk through periodic review of historical and empirical data, sensitivity analysis of main assumptions and other techniques, with focus on the impact of the surrender rate, mortality rate, and morbidity rate on the Company's operating results.

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

### (IV) Operational risk

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

#### 1 *Risk on surrender and maturities*

Risk on maturities and surrender refers to the more-than-expected or deviated-from-expected occurrence of maturities and surrender, which results in the risk of insufficient cash flow, complaint and disputes, or group events.

In respect of maturities, as the policies accumulated at prior sales peak were gradually at maturity and were ready for payout, and the maturity amount for 2016 grew as compared with the same period of last year. Individual products may incur the risk of complaint and disputes as the yield to maturity maybe lower than customer's expectations. In respect of surrender, as the peak season of 3-years and 5-years participating contracts bancassurance channel in the prior period has passed, and the Company actively reduced the size of the sales of middle and short term products in the perspective of strategies, the stress of surrender faced by the Company has gradually been relieved since 2016.

To effectively address the risk on maturities and surrender, the Company primarily adopted the following measures in 2016:(1) gradually ceasing the sales of middle and short term products, sticking back to the origin of insurance, increasing the development and sales of protection-type products and health insurance products, and focusing on developing long-term regular premiums business; (2)enhancing the quality of sales management, imposing strict penalties for violations on sales quality issues; (3)strengthening the surrender management, collectively revised the surrender management system, creatively streamlined the surrender business process, improving settlement proposals on abnormal surrender and benefits and claims expenses emergencies; (4) ensuring the availability of the complaint channels, making rapid response, strengthening the closed-loop settlement of the complaints, practically protecting consumers' legal interests; and (5) establishing a monthly monitoring system on risk on surrender and maturities to effectively track the development of key entities and key products, timely controlling the branches and the progress of surrenders and maturities of products from the perspective of the head office, thus mastering the risks of key products earlier, and holding monthly risk control and compliance video meetings, thus timely issuing risk reminders to key entities.

## **2. Risk on misleading sales**

Risk on misleading sales represents various misleading acts such as deceit and fraudulent inducement on the part of employees and insurance agencies in the course of sales, which induce customer complaints, negative media exposure, regulatory penalties and collective complaint events, and thus incurs the risk of economic loss, harm on reputation or other adverse impact on the Company. Integrating governance of misleading sales based on regulatory requirements and the Company's requirements of strategic transformation is a major task of the Company.

To effectively address the risk on misleading sales, the Company mainly adopted the following measures in 2016: (1) further improving the compliance appraisal indicators system, focusing on the misleading sales governance results, and supervising the agencies' constant enhancement of misleading sales governance results through regularly tracking the periodic achievement of appraisal indicators; (2) strengthening risk monitoring and early warning, providing risk reminders to agencies with high risk on misleading sales according to the daily monitoring results, urging agencies to take measures in preventing and defusing potential risks; (3) strengthening compliance management of promotional materials information, regulating information disclosure, the design and production of product promotional materials, product training advocacy, product sales promotion and product information dissemination; and (4) strengthening compliance promotions and warning education, constantly summarizing all kinds of misleading sales problems, and initiating system-wide risk prevention promotion and warning education.

### 3. *Insurance related judicial case risk*

Risk on insurance related judicial case refers to risks arising out of infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegal operation of the insurer that result in economic loss, reputation damage or other adverse effects to the Company. In 2016, the number of insurance litigation cases and amount involved decreased as compared to the previous year.

To effectively address the risk of insurance related judicial cases, the Company mainly adopted the following measures in 2016: (1) formulating and issuing *the Notice on Further Strengthening System-wide Prevention and Control of the Risks on Illegal Fund-raising and Capital Cases* (《關於進一步加強全系統非法集資及資金案件風險防控工作的通知》), and establishing a complete case control system including organization leadership, responsibility allocation, risk investigation, risk monitoring and early warning, warning education, and accountability; (2) strengthening the risk monitoring and early warning on cases, monitoring the potential risk from customers' complaints via complaint hotline 95567, strengthening the daily risk monitoring of counter, customer service and sales functions, while setting up a system-wide rewarding whistleblowing mechanism to effectively expand the monitoring scale; (3) initiating risk investigation against cases, initiating system-wide risk investigation regarding illegal fund-raising and capital cases, and conducting special risk investigation on significant insurance related judicial cases; (4) strengthening case accountability management, completely sorting out the accountability of system-wide cases, and informing the agencies which failed to fulfill accountability timely of conducting rectification within certain period of time; and (5) constantly initiating warning education, issuing training materials to the entire system, indicating the consequence of unlawful conviction through analyzing real cases to learn from the past and avoid future mistakes.

### 4. *The risk of non-compliance sales of non-insurance financial products*

In recent years, unfair competition from third-party wealth management institutions has increasingly eroded the insurance industry. Some unscrupulous third-party wealth management institutions, under the guise of insurance companies, are selling wealth management products through insurance salesmen. Some are even involved in suspected illegal fund-raising, therefore disrupting the business of the insurance industry and impairing the interests of insurance companies and insurance consumers. Some personnel of the Company's branches and sub-branches are also involved in illegal activities as sales agents in financial products including third-party wealth management products. Faced with the grim situation, the Company has taken timely measures in respect of the workplace, team force and customers, enhancing its management and risk alerts to achieve early detection, early deployment and early tackling. These measures have effectively curbed such risk, therefore receiving high recognition by the regulatory authorities.

To prevent and resolve the risk of non-insurance financial products, the Company mainly adopted the following measures in 2016 including: (1) strengthening monitoring and early warning, carrying out multi-dimensional risk monitoring by using internal and external information such as complaints and reporting; (2) carrying out investigation on conducts and clues on non-compliance sales of non-insurance financial products, and remaining highly sensitive and alert on suspected illegal fundraising conducts; (3) improving internal management by strengthening organization leadership and resolutely achieving “workplace and team management and customer alert”, and enhancing sales management by strengthening system-wide sales personnel supervision and marketing process control so as to regulate sales conducts; and (4) protecting the Company’s legal rights according to the law, reporting to the market supervisory authorities and instigating criminal and civil liability claims against non-compliance agencies and individuals, and vigorously promoting the common rights of the insurance industry.

In addition to the measures adopted to address the above major operational risks, the Company also addressed daily operational risks by optimizing management processes, strengthening internal control, carrying out risk-based inspection, strengthening compliance management and enhancing supervision of internal audit.

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

Reputation risk refers to the risk of suffering losses due to the negative comments to the Company from the stakeholders as a result of the operation and administration of the Company or external events.

Generally speaking, in 2016, our operations and development remained stable and healthy. Various operating indicators were good. There was no material reputation risk event throughout the year. Coverage of the Company by external media was primarily positive.

The Company’s reputation risk management is mainly based on the concept of risk prevention by establishing a routine, long-term management mechanism which focuses on advance assessment and daily precaution. Through timely identifying and addressing issues in operation management, the Company aims to eliminate potential risks that affect the Company’s reputation and image.

#### **(VI) Strategic risk**

Strategic risk refers to the risk of mismatching strategies, market conditions with capabilities of the Company arising from ineffective strategies formulation and implementation processes or changes in operational environment.

In 2016, the Company further implemented strategic transformation and strived to optimize business structure by focusing on regular premiums business while downsizing single premiums business, achieved consistent and stable growth of first year regular premiums and other core operation objectives.

To address the strategic risk, the Company mainly adopted the following measures: 1. analyzing the industry and studying the news and the development trends of the industry, thereby identifying the opportunities for the development of the life insurance business, and analyzing the growth path and studying the effects of strategic layout in view of the actual operation of the Company; 2. formulating the mid/long-term development strategies based on the overall direction of “steady scale, growing value, optimized structure, controllable risk”, and outlining the core operational indicators in view of the actual operation of the Company; 3. promoting the guidance on and management of strategies on the basis of completion of the operational plans, thus ensuring that the strategic plans of the Company were thoroughly implemented across all levels of the Company; 4. establishing a tracking and assessment system on strategies and formulating monthly strategy assessment indicators, thus regularly tracking the implementation of the strategies; 5. strengthening the communication between the strategic management department and the related functional departments to form a coordination and feedback system on strategic planning and timely adjusting the strategic objectives based on the change of internal and external circumstances.

#### **(VII) Liquidity risk**

Liquidity risk refers to the risk that the Company does not have access to sufficient funds in time and at reasonable costs to meet its liabilities or other payment obligations as they become due.

In 2016, the overall liquidity of the Company was satisfactory, and there was a significant increase in cash flow of traditional protection-type business. However, as a result of significant surrender of individual products, some accounts experienced relatively tight liquidity in the short term.

To address the liquidity risk, the Company primarily adopted the following measures: 1. adjusting the business structure proactively to strictly control the size of the sales of middle and short term products, thus fundamentally minimizing the pressure on the Company on surrenders in the future and mitigating the risk of insufficient cash flows; 2. in the product sales management stage, imposing strict control on irregular sales conducts to enhance the business quality and prevent the risk of large scale payment obligation induced by abnormal collective surrender; 3. establishing settlement reserve system for contingency payments in case of short-notice request on large amount payments; 4. regularly conducting cash flows projections and stress tests based on the credit risk management requirements of the C-ROSS with attention paid to the indicators such as the consolidated current ratio and the liquidity coverage ratio, and formulating solutions in advance by continuously putting daily risk monitoring in place and paying attention to unusual changes of indicators; 5. planning and managing long-term liquidity, and adjusting mid-to-long term assets allocation by considering the overall liquidity of assets and liabilities with reference to our investment guidelines; and 6. strengthening emergency management to formulate emergency plan on liquidity risk.

## Section 13

# Report of the Board

### I. Main businesses

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

### II. Business review

#### (I) Annual business and business results analysis

Analysis on the business results of the Company during the reporting period is set out in Section 3 “Business Overview” and Section 5 “Management Discussion and Analysis” of this report.

#### (II) Major acquisition and disposal

Major acquisitions and disposals of the Company during the reporting period is set out in Section 7 “Significant Events-IV. Acquisition and disposal of assets, merger and division” of this report.

#### (III) Major risks and uncertain factors

Please refer to Section 12 “Risk Management” of this report for details of the major risks and uncertain factors of the Company.

#### (IV) Issue of debts

Please see Section 7 “Significant Events – X. Other significant events” of this report for details of issue of debts of the Company during the reporting period.

#### (V) Bank loans

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

**(VI) Pledge of assets**

During the reporting period, the Company had no pledge of assets.

**(VII) Prospects**

Please refer to Section 5 “Management Discussion and Analysis-VI. Future prospects” of this report for details of the prospects on future business development of the Company.

**(VIII) Details of the directors, supervisors and senior management**

Details of the directors, supervisors and senior management are set out in Section 9 “Directors, Supervisors, Senior Management and Employees” of this report.

**(IX) Environment policy**

Please refer to Section 14 “Corporate Social Responsibility-VII. Proactively participating in the environmental protection” of this report for details of the policy and the performance of the Company in relation to the environment.

**(X) Compliance of relevant laws and regulations**

As an insurance company listed on both SSE and HKSE, the Company strictly complies with laws and regulations such as the *Company Law of the PRC*, the *Insurance Law of the PRC*, the *Anti-Money Laundering Law of the PRC*, the *Administrative Measures of Insurance Clauses and Insurance Premium Rates of Personal Insurance Companies* and the *Interim Measures for the Regulation of the Internet Insurance Business*, regulatory documents as well as the regulatory rules of the places where the Company is listed.

The Company upheld on operating insurance business according to the law in a prudent way, reviewing the terms of insurance products with respect to their legality and compliance, strengthening the management on the insurance salesmen, perfecting the insurance business process and improving customer relationship. During the reporting period, the Company invited the judges of the Supreme People’s Court to convene seminars on the understanding and application of the *Interpretation III on the Insurance Law* for its staff and also proactively assigned its staff to participate in the trainings organized by the Supreme People’s Court and the Insurance Association on handling of insurance litigation.

The Company had fully complied with the regulations on anti-money laundering and established and improved the risk management system for money laundering based on risks. It integrated the anti-money laundering requirements into its various business lines, and fully implemented the anti-money laundering obligations to prevent the risk of money laundering.

The Company strictly complied with the laws and regulations, regulatory provisions and relevant rules about corporate governance, established and enhanced its organizational structure, convened regular general meetings, Board meetings and Board of Supervisors meetings and fulfilled its obligations in the approval, reporting and disclosure of related party transactions and material information.



### III. Principal employees and customers

Details of the senior management and employees of the Company are set out in Section 9 "Directors, Supervisors, Senior Management and Employees" of this report.

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

During the reporting period, the Company and customers have maintained good relationships.

### IV. Dividend distribution

#### (I) Dividend distribution policies

According to Article 268 of the Company's Articles of Association, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.
2. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the Board based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year.
3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the Board considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all Shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.
4. The Board shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution for submission to the general meeting for consideration. The INEDs of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with Shareholders, particularly minority shareholders through various channels, carefully listen to the feedbacks and requests by minority shareholders, and give timely response to minority shareholders on the relevant matters. Following a resolution approving such profit distribution plan passed at a general meeting, the Board shall implement the distribution of the dividends within two months from the convention of such general meeting.

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

(II) Dividend distribution in the recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2016	0.48	1,497	4,942	30.3%
2015	0.28	873	8,601	10.1%
2014	0.21	655	6,406	10.2%

1. Annual dividend plan of 2016

On the basis of a comprehensive analysis of factors including but not limited to the operating environment of the financial industry, characteristics of the Company's capital requirements, expectations on cash dividends of domestic and international investors, costs of social capital, external financing environment and current regulatory policies, the Company formulated a dividend distribution plan for 2016 after fully considering present and future business development, scale of profits, demand for investment capital and solvency status, attaining an equilibrium between sustainable business development and Shareholders' integrated returns.

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 equity holders 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 10 August 2017 to all the H Shareholders whose names appear on the register of members of the Company on Tuesday, 18 July 2017.

2. Annual dividend of 2015

For the year of 2015, the Company distributed an annual cash dividend of RMB0.28 per share (including tax), amounting to RMB873 million. For details of the annual dividend distribution of 2015, please refer to the *Announcement on the Voting Results of the Annual General Meeting of 2015 and Distribution of 2015 Annual Dividend* published by the Company on 27 June 2016.

### 3. Annual dividend of 2014

For the year of 2014, the Company distributed an annual cash dividend of RMB0.21 per share (including tax), amounting to approximately RMB655 million. For details of the annual dividend distribution of 2014, please refer to the *Announcement on the Voting Results of the Annual General Meeting of 2014 and Distribution of 2014 Annual Dividend* published by the Company on 24 June 2015.

### V. Changes in accounting policies and accounting estimates

Changes in accounting estimates of the Company for 2016 mainly included changes in actuarial assumptions, and there was no other change in major accounting estimates. The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, surrender rates, and policy dividend assumptions, based on information available as of the balance sheet date to measure insurance contracts liabilities as of the balance sheet date.

The Company re-assessed the above assumptions on 31 December 2016 according to the information then available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in statement of comprehensive income. The aforementioned change in assumptions resulted in an increase of RMB3,186 million in the life insurance liability reserve funds, an increase of RMB3,059 million in the long term health insurance liability reserve funds, and a decrease of RMB6,245 million in profit before income tax on 31 December 2016.

### VI. Use of proceeds

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

### VII. Reserves

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

### VIII. Charitable donations and other donations

During the reporting period, the charitable donations and other donations of the Company approximated to RMB9,497,700. For details please refer to Section 14 "Corporate Social Responsibility" of this report.

### IX. Property, plant and equipment

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

### X. Share capital

Please see Section 8 "Changes in Share Capital and Shareholders' Profile" of this report for details of changes in share capital of the Company during the reporting period.

## Section 13

### Report of the Board

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

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

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

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

#### **XIII. Connected transactions**

Please see Section 7 “Significant Events – V. Connected transactions” of this report for details of connected transactions of the Company.

The details of the related party transactions are set out in Note 33 to the Consolidated Financial Statements. No such related party transactions fall under the definition of “connected transactions” or “continuing connected transactions” in Chapter 14A of the Hong Kong Listing Rules.

#### **XIV. Management contracts**

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

#### **XV. Purchase, sale or redemption of the listed securities of the Company**

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

#### **XVI. Pre-emptive right**

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

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

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

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

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

For remunerations of the directors and supervisors, please refer to Section 9 "Directors, Supervisors, Senior management and Employees" of this report.

#### **XIX. Interests of directors and supervisors in the transactions, arrangements or contracts of significance**

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

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

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

#### **XXI. Statement of the Board on internal control responsibility**

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2016 by the Board in compliance with the *Basic Standard for Enterprise Internal Control* (Cai Kuai [2008] No. 7) and the *Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control* (Cai Kuai [2010] No. 11), the Board is of the view that the establishment and operation of internal control system were effective as a whole.

## Section 13

### Report of the Board

#### XXII. Permitted Indemnity Provision

As of 31 December 2016, there was not and had not been any permitted indemnity provision benefiting the director of the Company or the affiliates of the Company. The Company has purchased proper director liabilities insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duty. The governing law of such policy is PRC law.

#### XXIII. Sufficient public float

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

#### XXIV. Equity-Linked Agreements

Save as disclosed in the report, as of 31 December 2016, the Company had not entered into any equity-linked agreement.

By order of the Board

**WAN Feng**

*Chairman*

## Section 14

# Corporate Social Responsibility

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

The Company adheres to the values of “honesty, responsibility, fairness, innovation and proactivity” and the operational philosophy of “creating value, stability and continuity” and insists on the working principles of “briefness, objectiveness, cooperation and responsibility” for the mission to provide the clients with protection for a happy life, to offer stable and sustainable returns to shareholders, to create opportunities for staff to realize their value and to contribute energy to a harmonious and peaceful society. Sticking to the philosophy of “returning to the essence of insurance” and further implementing strategic transformation development, the Company spares no effort to forge the most excellent financial service group in China devoting to all-around life insurance services.

In 2016, while the Company dedicated ourselves to creating value for our shareholders, it also put more effort into pursuing our corporate social responsibility more effectively. The Company actively communicated with all stakeholders (including clients, shareholders, employees, government and communities, regulators and partners, the environment, etc.) to understand their needs and establish, after in-depth analysis, a complete corporate social responsibility communications system which combined its own business and operation characteristics. The corporate social responsibility report has complied with all the “comply or explain” provisions of the “Environmental, Social and Governance Reporting Guide”.

### II. Providing clients with protection for a happy life

In 2016, the Company returned to the essence of insurance in accordance with the overarching principle of “steady scale, value growth, optimized structure and controllable risks” and the theme of “accelerating transformation and development and strengthening self-operation capabilities”. The Company continuously refined and pushed forward with its “client-oriented” operating measures to provide all-around insurance protection services covering the full life cycle, thus enabling the clients to lead a happy life.

## Section 14

### Corporate Social Responsibility

The Company followed the strategy of “returning to the essence of insurance” and developed as a pure insurance company. The Company launched “Jiankangwuyou (健康無憂)” critical illness insurance for teens, “Multiple Protection (多倍保)” critical illness insurance, and “Jiankangwuyou (健康無憂)” critical illness insurance, as well as medical insurance product series such as inpatient, outpatient and emergency, and inpatient expense reimbursement rider products, thus offering clients with comprehensive and value for money health insurance product series. For pension products, the Company launched “Meilirensheg (美利人生)” lifelong annuity insurance and “Hualirensheg (華利人生)” lifelong annuity insurance, thus offering better options for lifelong pension security. The protection product series enjoyed good sales and were well received in the market, thus enabling the Company to perform its responsibility as an insurance company.

For the product promotion, the Company formulated the Administrative Measures for the Advertisements of New China Life Insurance Company Ltd. under the requirements of the Advertising Law of the PRC and the detailed rules for the Advertising Law of the PRC (《中華人民共和國廣告法實施細則》). The Company strengthened and regulated the advertisement management of the Company under the related laws and regulations of the state and faithfully promoted its products to the clients.

The Company continued to upgrade its service level through service innovation and optimized processes based on the demand of the clients. Its hotline service, counter service, e-service functionalities and service experience were continuously upgraded. The social influence of its client services continued to expand and the interest of its clients were comprehensively protected. The quality, effective and personalized services of the Company were highly regarded by the clients and all walks of life. The client satisfaction continued to improve and rank high in the industry.

The Company formulated the Administrative Measures for the New Policy Return Visit of New China Life Insurance Company Ltd. to regulate its new policy return visit operations to enhance its service level, prevent business risks and protect the legitimate rights and interests of consumers.

The Company formulated the Measures for the Administration of the Client Information of New China Life Insurance Company Ltd. to regulate the client information management of the Company. The Company established a sound client information management system to improve the quality of the client information and strengthen the privacy protection of the client information, thus practicably fulfilling the spirit and the related requirements of the notice on the Interim Measures for the Administration of Information Authenticity of Personal Insurance Clients (《人身保險客戶信息真實性管理暫行辦法》) from the CIRC.

The Company formulated the Administrative Provisions on Client Complaints of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司客戶投訴管理規定》) under the legal systems and regulatory policies such as the Administrative Measures for Handling the Complaints of Insurance Consumption (《保險消費投訴處理管理辦法》) to regulate the client complaint handling process, thereby protecting the legitimate rights and interests of consumers and regulating the complaint handling process with higher complaint handling efficiency and service quality.



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

In 2016, adhering to the two themes of “transformation and development” and “self-operation”, the Company determined its renewal-premiums-driven transformation and development route and guided branches to strengthen self-operation capabilities by enhancing budget management. The Company effectively promoted its operation and management level with closely related measures, thus arousing the momentum for healthy, sustainable and rapid development with strong and powerful competitive advantages. The Company brought stable investment returns to its shareholder and realized the sustainable value development by establishing a scientific and effective corporate governance structure, reinforcing compliance operations, improving risk control system, enhancing assets management profitability and strictly regulating its information disclosure system, thereby building up a first-class public company.

The Company's anti-money laundering work was in full compliance with various laws and regulations and regulatory requirements. It pursued a risk-based approach towards establishing a sound money laundering risk control system incorporating the anti-money laundering requirements into each line of business, thus fully performing its anti-money laundering obligations and preventing the risks of money laundering. The Company formulated the management systems such as the Administrative Measures for Client Identity Identification and Materials and Transaction Recording of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), the Administrative Measures for Reports of Large-sum Cash Transactions and Various Doubtful Transactions and the Operating Procedures for Reporting of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司大額現金交易和各類可疑交易報告管理辦法及報送操作規程》) and the Interim Measures for the Risk Assessment and Classification Management of Money Laundering and Financing of Terrorism of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司洗錢和恐怖融資風險評估及分類管理暫行辦法》) in strict compliance with various laws and regulations and regulatory requirements such as the Anti-Money Laundering Law of the PRC, the Counter-terrorism Law of the PRC, the Administrative Measures for Financial Institutions' Reports of Large-sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) and the Administrative Measures for Client Identity Identification and Materials and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), thus establishing a more comprehensive anti-money laundering system covering an institutional structure, and the duties of anti-money laundering, large-sum transaction and doubtful transaction reporting, client identity identification and materials and transaction recording, risk classification and management of clients, the administrative measures for highly risky clients, risk assessment of money laundering, confidentiality administration, administration on assistance to inspection, training and promotion, accountability for breach and the contingency mechanism for significant cases.

The Company established a sound mechanism for anti-commercial bribery incorporating anti-corruption and anti-bribery into operating decision making and day-to-day management in strict compliance with the legal requirements in respect of banning commercial bribery such as the Law of the PRC Against Unfair Competition (《中華人民共和國反不正當競爭》) and the Criminal Law of the PRC (《中華人民共和國刑法》). During the reporting period, there was no commercial corruption and bribery case.

The Company formulated the Administrative Measures for Centralized Purchasing of New China Life Insurance Company Ltd., the Administrative Rules for Purchasing Projects of New China Life Insurance Company Ltd. and the Administrative Rules for the Suppliers for Centralized Purchasing of New China Life Insurance Company Ltd. to regulate the management of its supply chain, scientifically integrate purchasing demand and supplier channels, enhance the economies of scale and operating efficiency in purchasing, and effectively controlling purchasing risks, thus strengthening the management of the centralized supply chain.

## Section 14

### Corporate Social Responsibility

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

A quality workforce serves as the base for the future development and prosperity of the Company. The Company has always adhered to the values of "honesty, responsibility, fairness, innovation and proactively", placing great importance on the interests and development of employees, striving to provide our staff with a good working environment, excellent compensation and benefits, and a systematic plan for development, thereby promoting the continuous growth of our staff working both inside and outside the office.

The Company has strictly complied with the Labor Law of the PRC, the Law of the PRC on Employment Contracts and the relevant laws and regulations to protect and safeguard the legitimate rights and interests of employees. The Company implements the work and rest regime in the PRC and provides a comprehensive and competitive remuneration and welfare system for employees. The employees are entitled to annual leave, sick leave, maternity leave and other types of holidays. Where the Company negotiates with an employee to terminate the employment contract, it shall pay compensation to such employee according to the law. In respect of labor employment, the Company upholds the principles of gender equality, equal pay for equal work and providing equal job opportunities and fair employment conditions for labor according to the law.

Pursuant to the Law of the PRC on the Protection of Women's Rights and Interests, the Provisions on the Prohibition of Using Child Labor and other laws and regulations, the Company has adopted employment standards according to the law and protected the rights and interests of women labor while opposing to any form of discrimination. Forced labor and recruitment of child labor are prohibited.

With respect to compliance with labor laws and care for the healthy living of employees, the Company has formulated the Administrative Measures for Employee Relationship of New China Life Insurance Company Ltd. and the Administrative Measures for Working Hours of New China Life Insurance Company Ltd. to establish and maintain an employee relationship which is mutual beneficial, harmonious and positive and facilitate the healthy growth of the employee relationship in the Company. In order to safeguard the health of employees, the headquarters of the Company has installed an air purification system to prevent the damage of PM2.5 to human health. Besides, in order to improve the employee happiness index, the staff canteen in the office building on Chang An Avenue serve dinners for employees.

In terms of the diversified welfare benefits, the Company has formulated the Administrative Measures for Employee Benefits of New China Life Insurance Company Ltd. In accordance with the characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the position, ability and performance, the Company encourages employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the PRC government, the Company provides employees with social security and housing fund. Meanwhile, the Company has established various welfare plans including company pension fund to meet the needs for diversification of welfare benefits of various groups of employees.

The Company has formulated the Administrative Measures for Recruitment and Employment of New China Life Insurance Company Ltd. and the Interim Provisions on Cadre Management of New China Life Insurance Company Ltd. Striving to establish a capable and efficient team of employees, the Company sets job positions in view of job responsibilities and employs personnel in view of job positions. With respect to cadre management, the Company has established scientific and effective personnel decision procedures and a considerate cadre management system for the specialization, standardization, normalization and institutionalization of cadre management so as to achieve person-post matching and maximize the value of human resources.

In 2016, the Company insisted on the joint efforts of the headquarters and the branches and improve the training system. The Company implemented a series of training projects including “motivation” at general staff level, “aggressiveness” at junior manager level, “core power” at middle manager level and “E power” at senior manager level. A total of 390 training sessions were conducted during the year with 19,865 participants and coverage of 90%. At the same time, the Company selected excellent employees from its secondary institutions to build a team of outstanding internal trainers. The Company trained 122 authorized lecturers during the year and there were 518 authorized lecturers in aggregate with a total of 1,489 lecture hours during the year and 2.87 lecture hours per lecturer. Covering the needs for the development of general staff to middle to senior management, the Company pushed forward the training of cadres at all levels so as to enhance the capabilities of cadres at different levels.

#### V. Contributing energy to a harmonious and peaceful society

The Company proactively fulfills its responsibilities as a corporate citizen by paying taxes to the government, creating job opportunities for the society and playing an active role in the economic development, livelihood enhancement and harmonious society construction via the three major functions of insurance, which are protection, capital circulation and social management. In addition, the Company also leverages its advantages in sales network and marketing team to develop insurance products with commonweal and introduced the common knowledge of insurance. The Company also participated in the community pension and cultural activities to make contributions to creating a harmonious society.

Since its establishment, the Company has strictly fulfilled its obligations as a taxpayer and paid tax according to the law. The Company has been rated as A-grade tax-paying enterprise over the years. With the consistent and rapid growth of revenue, our tax payment to the government continued to improve.

The Company has devoted itself to various public welfare undertakings and made contributions to creating a harmonious society by participating in local economic construction and environmental health construction, helping the disadvantaged and promoting healthy lifestyles. The staff at the Mianyang municipal branch in Sichuan participated in the unpaid donation of hematopoietic stem cells. The Dongguan municipal branch in Guangdong commenced public welfare activities to care for sanitation workers. The Bayannur municipal branch in Inner Mongolia commenced unpaid blood donation for 100 people.

The Company has organized various public welfare activities to promote care for and respect to the elderly and supported the establishment of retirement community. The Foshan municipal branch in Guangdong organized a charity event named as “20 years for NCI to care for happiness and elderly”. The business district in Li County of Changde municipal branch in Hunan organized “Chongyang action – walking into the orphanage”.

The Company cares for the vulnerable children as always. The Company appeals to the warm-hearted people in the society to care for vulnerable children. The Heilongjiang branch gave a helping hand for children in need in Xinhua Primary School. The Yantai municipal branch organized the loving caravan event for the “Spring Bud Program”. The Beijing branch visited the Guang'ai School. The Shandong branch participated in the free clinic for eye diseases and public welfare activities which cared for young people. The Guizhou branch organized the public welfare event which cared for “child of stars”.

## Section 14

### Corporate Social Responsibility

The Company organized a series of activities to introduce the common knowledge about insurance in the community which achieved excellent results and gained a lot of praise. The Foshan municipal branch in Guangdong participated in the “Like the Financial Integrity” activity to introduce insurance into the community. The Zhengzhou municipal branch in Henan organized activities to encourage its staff working both inside and outside the office to access the community. The Company made contributions to creating a harmonious society through products, services and other activities.

In 2016, the Company made charity and other donations of approximately RMB9,497,700 in aggregate.

#### VI. Proactively participating in environmental protection

The Company believes that every enterprise which has a sense of responsibility should pay attention to energy saving and environmental protection affairs and mitigate the adverse impact on the environment as a result of its business activities; every employee should have the responsibility to start from their own and fulfill the concept of environmental protection from everyday details; every employee should be an environmental ambassador and should facilitate, advocate and influence more people to join the actions of energy saving and environmental protection. In the business process and the daily life of all employees, the Company creates a green living culture by improving office environment, posting tips for environmental protection and encouraging its staff on green commuting and green consumption. The Company has promoted the green concept of protecting the environment beginning with ourselves from everyday details.

In 2016, pursuant to the general requirements under the Environmental Protection Law of the PRC and the Law of the PRC on Conserving Energy, the Company improved energy efficiency to protect and improve the environment. With modern and information-oriented means of office working, printing consumables such as papers and toner cartridges were gradually reduced. On the other hand, the Company further strengthened the functions of WeChat, SMS, multimedia messages and call center to further decrease the environmental protection cost of client services.

Pursuant to the Law of the PRC on the Prevention and Control of Atmospheric Pollution and the Regulation of Beijing Municipality on the Control of Smoking, the Company has strengthened the smoking ban in the headquarters. The non-smoking area covers all areas within the office building on Chang An Avenue, including working places such as office and conference rooms and internal open spaces such as canteen, corridors and elevators. The Company has organized and commenced propaganda on the smoking ban by way of morning meetings, emails, intranet, LED at the lobby, warning signs and posters as well as promotional banners. The Company will also reprimand and expose the uncivilized behaviour in breach of the smoking ban.

The Company has reduced the electricity consumption of offices by installing energy saving devices at the headquarters. The Company also replaced the lighting of certain floors. 319 spotlights with 35W were replaced with those with 4W, reducing energy consumption of 31W each; 34 sets of energy saving lamps in the rain sheds of the building with 36W were replaced with those with 18W; 29 sets of energy saving lamps in the transformer room, refrigeration room and heating room with 36W were replaced with those with 18W; 100 chandeliers with 8W were replaced with those with 3W; a set of cylindrical wall lamp with 28W were replaced with those with 16W; 500 energy saving lamps in the public restrooms and fire ladders with 8W were replaced with those with 7W. As of the end of 2016, 57.54 megawatt hours of energy were saved, equivalent to a reduction in greenhouse gas emission of 45.7 tones.

Section 15

# Appendix

Audited financial report for 2016

## Section 15

### APPENDIX

#### **Independent Auditor's Report**

##### **To the members of New China Life Insurance Company Limited**

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

#### **Opinion**

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 147 to 296, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of insurance contract liabilities</i>	
<p>The Group has significant insurance contract liabilities amounting to RMB543.23 billion as at 31 December 2016, representing 85% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates.</p> <p>The Group's disclosures about valuation of insurance contract liabilities are included in note 2 (11), note 3 Estimation Uncertainty (1) and note 14 (1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4 (1) (c) to understand the sensitivities of changes in these assumptions on the Group's operating results.</p>	<p>In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. We involved our internal actuarial specialists to assist us in performing the following procedures in this area, which included among others:</p> <ul style="list-style-type: none"> <li>- Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies;</li> <li>- Assessed the assumptions with reference to historical experience, business expectations of the Group, and market practices;</li> <li>- Independently established models to test the valuation of liabilities for selected insurance products;</li> <li>- Assessed the impact of changes in assumptions adopted by the Group.</li> </ul>

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#### Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of available-for-sale financial assets</i>	
<p>As at 31 December 2016, the Group held RMB283.31 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment provisions are made accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year (one year included), the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets.</p> <p>Note 2 (9) (h) and note 3 Estimation Uncertainty (3) discloses the impairment test policy, and note 24 discloses the impairment loss recognized in the current period.</p>	<p>We assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.</p>



**Key audit matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<i>Fair value of financial assets with no quoted prices in an active market</i>	
<p>As at 31 December 2016, the Group holds RMB283.31 billion available-for-sale financial assets and RMB11.83 billion financial assets at fair value through profit or loss. About RMB136.83 billion of these financial assets are trust products, wealth investment products, asset management products, preferred stocks, which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fair values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value.</p> <p>Note 4 (3) and note 10 discloses the balance of these investments, which do not have a quoted price in an active market, the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.</p>	<p>We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model approval. Our internal valuation specialists were involved to assist us mainly to assess the valuation technique against industry practice and acceptable valuation methods, to compare assumptions used against appropriate benchmarks, to investigate significant differences and to perform our own independent valuations where applicable.</p>

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#### Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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#### **Auditor's responsibilities for the audit of the consolidated financial statements (Continued)**

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Kam Cheong, Geoffrey.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 March 2017

## Consolidated Statement of Financial Position

As at 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2016	2015
<b>ASSETS</b>			
Property, plant and equipment	6	7,849	6,827
Investment properties	7	3,395	2,177
Intangible assets	8	1,792	1,693
Investments in associates and joint ventures	9	4,575	3,626
Debt financial assets		436,810	348,281
– Held-to-maturity	10(1)	195,126	177,502
– Available-for-sale	10(2)	184,045	116,668
– At fair value through profit or loss	10(3)	3,404	3,389
– Loans and receivables	10(4)	54,235	50,722
Equity financial assets		107,693	110,696
– Available-for-sale	10(2)	99,263	100,229
– At fair value through profit or loss	10(3)	8,430	10,467
Term deposits	10(5)	79,845	127,679
Statutory deposits	10(6)	816	716
Policy loans		23,831	20,879
Financial assets purchased under agreements to resell		2,325	91
Accrued investment income	10(7)	9,669	9,816
Premiums receivable	11	1,846	1,525
Deferred tax assets	20	308	6
Reinsurance assets	12	2,693	3,360
Other assets	13	1,504	9,284
Cash and cash equivalents		14,230	13,904
<b>Total assets</b>		<b>699,181</b>	<b>660,560</b>

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December	
		2016	2015
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contracts			
Long-term insurance contract liabilities	14	541,424	522,799
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	640	559
– Unearned premiums liabilities	14	1,164	1,083
Investment contracts	15	30,071	27,166
Borrowings	16	14,000	19,000
Financial liabilities at fair value through profit or loss		9	22
Financial assets sold under agreements to repurchase	17	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	18	29	29
Other liabilities	19	5,899	5,843
Current income tax liabilities		1,313	1,007
Deferred tax liabilities	20	54	853
<b>Total liabilities</b>		<b>640,056</b>	<b>602,719</b>
<b>Shareholders' equity</b>			
Share capital	21	3,120	3,120
Reserves	22	31,646	33,536
Retained earnings		24,352	21,179
<b>Equity attributable to owners of the parent</b>		<b>59,118</b>	<b>57,835</b>
<b>Non-controlling interests</b>		<b>7</b>	<b>6</b>
<b>Total equity</b>		<b>59,125</b>	<b>57,841</b>
<b>Total liabilities and equity</b>		<b>699,181</b>	<b>660,560</b>

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December	
		2016	2015
<b>REVENUES</b>			
Gross written premiums and policy fees	23	112,648	111,994
Less: premiums ceded out		(936)	(690)
<b>Net written premiums and policy fees</b>		<b>111,712</b>	<b>111,304</b>
Net change in unearned premiums liabilities		(77)	51
<b>Net premiums earned and policy fees</b>		<b>111,635</b>	<b>111,355</b>
Investment income	24	32,134	45,069
Other income	25	1,027	1,494
<b>Total revenues</b>		<b>144,796</b>	<b>157,918</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	(1,221)	(1,044)
Life insurance death and other benefits	26	(80,375)	(77,820)
Increase in long-term insurance contract liabilities	26	(27,298)	(39,855)
Investment contracts benefits		(1,067)	(1,331)
Commission and brokerage expenses		(13,538)	(10,679)
Administrative expenses	27	(13,081)	(12,655)
Other expenses	28	(428)	(1,430)
<b>Total benefits, claims and expenses</b>		<b>(137,008)</b>	<b>(144,814)</b>
Share of profits and losses of associates and joint ventures		148	535
Finance costs	29	(1,454)	(1,857)
<b>Profit before income tax</b>		<b>6,482</b>	<b>11,782</b>
Income tax expense	20	(1,539)	(3,180)
<b>Net profit for the year</b>		<b>4,943</b>	<b>8,602</b>
<b>Net profit for the year attributable to:</b>			
– Owners of the parent	30	4,942	8,601
– Non-controlling interests		1	1
<b>Earnings per share (RMB)</b>			
Basic	31	1.58	2.76
Diluted	31	1.58	2.76

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2016	2015
<b>Net profit for the year</b>	4,943	8,602
<b>Other comprehensive income</b>		
<i>to be reclassified to profit or loss in subsequent periods</i>		
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)
<b>Total other comprehensive income for the year, net of tax</b>	<b>(2,741)</b>	<b>1,530</b>
<b>Total comprehensive income for the year</b>	<b>2,202</b>	<b>10,132</b>
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the parent	2,201	10,131
– Non-controlling interests	1	1

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.



## Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent				Non- controlling interests	Total equity
	Share capital	Reserves (Note 22)	Retained earnings	Total		
<b>For the year ended 31 December 2015</b>						
<b>As at 1 January 2015</b>	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
<b>Total comprehensive income</b>	<b>–</b>	<b>1,530</b>	<b>8,601</b>	<b>10,131</b>	<b>1</b>	<b>10,132</b>
Dividends paid (Note 32)	–	–	(655)	(655)	–	(655)
Appropriation to reserves	–	1,706	(1,706)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>1,706</b>	<b>(2,361)</b>	<b>(655)</b>	<b>–</b>	<b>(655)</b>
<b>As at 31 December 2015</b>	<b>3,120</b>	<b>33,536</b>	<b>21,179</b>	<b>57,835</b>	<b>6</b>	<b>57,841</b>
<b>For the year ended 31 December 2016</b>						
<b>As at 1 January 2016</b>	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)
<b>Total comprehensive income</b>	<b>–</b>	<b>(2,741)</b>	<b>4,942</b>	<b>2,201</b>	<b>1</b>	<b>2,202</b>
<b>Effect of the introduction of strategic investors to New China Life Excellent Health Investment Management Co., Ltd.</b>	<b>–</b>	<b>(20)</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Others</b>	<b>–</b>	<b>(45)</b>	<b>–</b>	<b>(45)</b>	<b>–</b>	<b>(45)</b>
Dividends paid (Note 32)	–	–	(873)	(873)	–	(873)
Appropriation to reserves	–	916	(916)	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>916</b>	<b>(1,789)</b>	<b>(873)</b>	<b>–</b>	<b>(873)</b>
<b>As at 31 December 2016</b>	<b>3,120</b>	<b>31,646</b>	<b>24,352</b>	<b>59,118</b>	<b>7</b>	<b>59,125</b>

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>Net cash flows from operating activities</b>	<b>7,330</b>	<b>7,449</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>Net cash flows from investing activities</b>	<b>(26,314)</b>	<b>39,809</b>

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
<b>Net cash flows from financing activities</b>	<b>18,935</b>	<b>(48,099)</b>
Effect of foreign exchange rate changes	375	242
<b>Net decrease in cash and cash equivalents</b>	<b>326</b>	<b>(599)</b>
<b>Cash and cash equivalents</b>		
Beginning of the year	13,904	14,503
End of the year	14,230	13,904
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	14,230	13,821
Short deposits	–	83
<b>Total of cash and cash equivalents</b>	<b>14,230</b>	<b>13,904</b>

The notes on pages 154 to 296 form an integral part of these consolidated financial statements.

# Notes to Consolidated Financial Statements

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 1 BACKGROUND AND PRINCIPAL ACTIVITIES

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

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

As at 31 December 2016, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36(3). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the "Group".

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 Note 3.

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### **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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

##### **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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

##### **IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exception (Continued)**

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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

##### **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.



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

##### 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

#### **IFRS 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

##### **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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

##### **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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over subsidiaries, it derecognizes (i) the assets (including goodwill) and liabilities of subsidiaries, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (a) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred.

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

#### (c) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Significant influence is the power of participate in the financial and operating policy decisions of the investee.

Joint ventures are the type of joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost in both the Group's consolidated financial statements and the Company's separate financial statements. The Group's investments in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss.

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (c) Associates and joint ventures (Continued)

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

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

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

#### (d) Structured entities

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

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

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



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

### (3) Segment reporting

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

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

### (4) Foreign currency translation

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

### (5) Property, plant and equipment

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

### (6) Investment properties

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (6) Investment properties (Continued)

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

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

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

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

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

### (7) Intangible assets

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

Useful lives of intangible assets are listed below:

	Useful lives
Land use rights	40 years
Computer software and others	3-5 years

# Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets

#### (a) Classification

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

##### (i) *Held-to-maturity investments*

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

##### (ii) *Financial assets at fair value through profit or loss*

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

##### (iii) *Available-for-sale financial assets*

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

##### (iv) *Loans and receivables*

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

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

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

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in investment income in the consolidated statement of comprehensive income. The loss arising from impairment is recognized in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables and held-to-maturity investments.

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (c) Derecognition of financial assets

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

#### (d) Term deposits

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

#### (e) Policy loans

Policy loans are carried at amortized cost less impairment.

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

#### (g) Offsetting financial instruments

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

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

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

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The Group reviews whether a decline in value is impairment for available-for-sale equity financial assets separately at the end of the reporting period. If the market price of the equity financial assets was more than 50% below its cost (50% included) at the end of the reporting period, or the market price of the equity financial assets was below its cost for a period of more than one year (one year included), this indicates that the equity investment is impaired. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of equity investments classified as available-for-sale carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (9) Financial assets (Continued)

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

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

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

### (10) Cash and cash equivalents

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

### (11) Insurance contracts and investment contracts

#### (a) Classification

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (b) Insurance contracts

##### (i) Recognition and measurement

###### Short-term insurance contracts

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

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

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

###### Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance, annuity policies, and long-term health insurance contracts with significant insurance risk, such as mortality and morbidity risk. Premium are recognized as revenue when due from policyholders.

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Long-term insurance contracts (Continued)

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

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Universal life contracts and unit-linked contracts

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

- Insurance components
- Non-insurance components

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

##### (ii) Liability adequacy test

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

##### (iii) Reinsurance contracts held

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (c) *Investment contracts*

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

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

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

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

### (12) Financial liabilities

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (12) Financial liabilities (Continued)

#### (b) Liabilities of investment contracts

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

#### (c) Borrowings

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

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

### (13) Derivative instruments

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (14) Employee benefits

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

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

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

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

### (15) Share capital

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (16) Revenue recognition

#### (a) Premium and policy fee

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

#### (b) Investment income

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

#### (c) Other income

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

### (17) Commission and brokerage expenses

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

### (18) Income tax

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

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

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



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (18) Income tax (Continued)

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

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

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

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

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

### (19) Government grants

The Company records monetary grants from the government in profit or loss in the year and the grants are received when there is no condition attached or there are no other bases existing for allocating the grants.

### (20) Operating leases

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (21) Provisions

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

### (22) Contingencies

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

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

### (23) Earnings per share

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the consolidated financial statements would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Significant judgments

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

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

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

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Significant judgments (Continued)

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

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

### Estimation uncertainty

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

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

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

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

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

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

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

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

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

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

#### (4) Deferred income tax assets

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### (5) Contingencies and provisions

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

#### (6) Former Chairman Mr. GUAN Guoliang Irregularities

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

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### (6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

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

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhua Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. and issued a plan. On 25 May 2016, the Company received RMB16 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB915 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB915 million was made as at 31 December 2016 (as at 31 December 2015: RMB931 million).

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### (7) Taxation

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

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

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2016, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. Long-term insurance contract liabilities increased by RMB6,245 million, and profit before income tax decreased by RMB6,245 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 29 March 2017.



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT

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

### (1) Insurance risk

#### (a) Types of insurance risk

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

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

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

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

##### (b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

As at/for the year ended 31 December 2016							
Product Name		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
		Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating)	(i)	96,339	17.79%	1,583	1.45%	9,705	11.81%
Huifubao Second Generation annuity insurance	(ii)	38,763	7.16%	19,909	18.21%	6,594	8.02%
Zunxiang Rensheng annuity insurance (Participating)	(iii)	33,239	6.14%	2,939	2.69%	1,886	2.29%
Jixinggaozhao Type A endowment insurance (Participating)	(iv)	27,084	5.00%	3,964	3.62%	450	0.55%
Furudonghai Type A whole life insurance (participating)	(v)	25,269	4.67%	3,153	2.88%	237	0.29%
Others		320,730	59.24%	77,800	71.15%	63,323	77.04%
<b>Total</b>		<b>541,424</b>	<b>100.00%</b>	<b>109,348</b>	<b>100.00%</b>	<b>82,195</b>	<b>100.00%</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

##### (b) Concentration of insurance risk (Continued)

As at/for the year ended 31 December 2015							
Product Name		Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
		Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating)	(i)	102,207	19.55%	4,920	4.51%	13,521	17.34%
Huifubao Second Generation annuity insurance	(ii)	23,636	4.52%	15,563	14.27%	338	0.43%
Zunxiang Rensheng annuity insurance (Participating)	(iii)	31,429	6.01%	4,272	3.92%	1,595	2.05%
Jixinggaozhao Type A endowment insurance (Participating)	(iv)	23,140	4.43%	4,027	3.69%	475	0.61%
Furudonghai Type A whole life insurance (participating)	(v)	22,288	4.26%	3,100	2.84%	233	0.30%
Others		320,099	61.23%	77,146	70.77%	61,805	79.27%
<b>Total</b>		<b>522,799</b>	<b>100.00%</b>	<b>109,028</b>	<b>100.00%</b>	<b>77,967</b>	<b>100.00%</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (b) Concentration of insurance risk (Continued)

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

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are the total of basic sum insured and dividend accumulation. For death due to illness within the first year, premium (interest excluded) is refunded; for death due to illness after the first year, death benefit is calculated based on the following formula: benefit = effective sum insured x effective policy years/premium payment period of insurance; for death due to illness after the payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to specific accident before the payment period, benefit is calculated based on the following formula: death benefit = 3 x effective sum insured x effective policy years/duration of insurance; for death due to specific accident after the payment period, benefit is three times of the total of basic insured and dividend accumulation; for death due to general accident before the payment period, benefit is calculated based on the following formula: death benefit = 2 x effective sum insured x effective policy years/duration of insurance; for death due to general accident after the payment period, benefit is two times of the total of basic insured and dividend accumulation. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, transfer of causes, maturity or other conditions which leads to the termination or optional termination of contracts.

##### (ii) Huifubao Second Generation annuity insurance

Huifubao Second Generation annuity insurance is traditional annuity insurance with single premium payment with a duration of 10 years. Payment on maturity is the basic sum insured. If the insured lives on every anniversary of the policy date from the third year after effective date of the insurance contract to maturity, the survival benefits are 1% of the base insured amount at the effective date of the policy. For death circumstances, the refund payment would be the maximum of premium insured or cash value.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (b) Concentration of insurance risk (Continued)

##### (iii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires on the insurance effective date of the year when the insured is 80. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefits are 9% of the base insured amount at the effective date of the policy. If the insured lives on every effective date of the insurance policy from the 60-year-old policy anniversary date to the 80-year-old policy anniversary date, the survival benefits are 9% of the insured amount at the effective date of the policy. For death and complete disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For policy holders between 18 and 60 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

##### (iv) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = base insured amount x10%+premium paid; for death due to illness and completely disability after the 1st year, benefits is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefits is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (b) Concentration of insurance risk (Continued)

##### (v) Furudonghai Type A whole life insurance (participating)

Furudonghai Type A whole life insurance (participating) is whole life insurance with regular premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or complete disability due to accident, benefit is the sum of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

#### (c) Sensitivity analysis

##### (i) Sensitivity analysis of long-term insurance contracts

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

Change in discount rates	For the year ended 31 December	
	2016	2015
+50 basis points ("bps")	16,593	11,625
-50bps	(18,754)	(12,865)

Change in mortality and morbidity rates	For the year ended 31 December	
	2016	2015
+10%	(4,177)	(3,216)
-10%	4,394	3,367

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (1) Insurance risk (Continued)

#### (c) Sensitivity analysis (Continued)

##### (i) Sensitivity analysis of long-term insurance contracts (Continued)

Change in lapse rates	For the year ended 31 December	
	2016	2015
+10%	(3,520)	(3,092)
-10%	3,741	3,245

Change in expenses	For the year ended 31 December	
	2016	2015
+10%	(2,086)	(1,805)
-10%	2,147	1,852

Key assumptions are disclosed in Note 14.

##### (ii) Sensitivity analysis of short-term insurance contracts

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

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB25 million for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB23 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (1) Insurance risk (Continued)

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

Claims development analysis of the Group's short term insurance contracts gross of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2012	2013	2014	2015	2016	
End of current year	1,122	1,276	1,272	1,252	1,393	6,315
1 year later	1,128	1,265	1,239	1,242	–	4,874
2 years later	1,112	1,249	1,224	–	–	3,585
3 years later	1,112	1,249	–	–	–	2,361
4 years later	1,112	–	–	–	–	1,112
Estimated claims expenses	1,112	1,249	1,224	1,242	1,393	6,220
Less: cumulative claims paid	(1,112)	(1,249)	(1,224)	(1,202)	(823)	(5,610)
Subtotal	–	–	–	40	570	610
Add: claims handling expenses	–	–	–	2	28	30
Unpaid claims expenses	–	–	–	42	598	640

Claims development analysis of the Group's short term insurance business net of reinsurance is as follows:

Cumulative claims	Accident year					Total
	2012	2013	2014	2015	2016	
End of current year	1,058	1,186	1,166	1,137	1,292	5,839
1 year later	1,067	1,157	1,124	1,130	–	4,478
2 years later	1,047	1,137	1,107	–	–	3,291
3 years later	1,047	1,137	–	–	–	2,184
4 years later	1,047	–	–	–	–	1,047
Estimated claims expenses	1,047	1,137	1,107	1,130	1,292	5,713
Less: cumulative claims paid	(1,047)	(1,137)	(1,107)	(1,091)	(759)	(5,141)
Subtotal	–	–	–	39	533	572
Add: claims handling expenses	–	–	–	2	28	30
Unpaid claims expenses	–	–	–	41	561	602



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk

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

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

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

#### (a) Market risk

##### (i) Interest rate risk

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

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (a) Market risk (Continued)

##### (i) Interest rate risk (Continued)

	Impact on profit before income tax	
	For the year ended 31 December	
	2016	2015
<b>Change in market interest rates</b>		
+50bps	(6)	(4)
-50bps	6	4
	Impact on reserves (before income tax)	
	For the year ended 31 December	
	2016	2015
<b>Change in market interest rates</b>		
+50bps	(344)	(443)
-50bps	355	459

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (a) Market risk (Continued)

##### (ii) Price risk

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

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

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

	Impact on profit before income tax	
	For the year ended 31 December	
Change in equity financial assets' prices	2016	2015
+10%	512	648
-10%	(512)	(648)
	Impact on reserves (before income tax)	
	For the year ended 31 December	
Change in equity financial assets' prices	2016	2015
+10%	3,494	3,733
-10%	(3,494)	(3,733)

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (a) Market risk (Continued)

##### (iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar or the Hong Kong dollar.

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

31 December 2016	USD	HKD	Total
Cash and cash equivalents	3,135	2,778	5,913
Accrued investment income	28	–	28
Financial assets at fair value through profit or loss	–	127	127
Held-to-maturity investments	1,656	–	1,656
Available-for-sale financial assets	633	3,987	4,620
<b>Total</b>	<b>5,452</b>	<b>6,892</b>	<b>12,344</b>

31 December 2015	USD	HKD	Total
Cash and cash equivalents	3,594	2,585	6,179
Accrued investment income	25	1	26
Financial assets at fair value through profit or loss	–	142	142
Held-to-maturity investments	1,485	–	1,485
Available-for-sale financial assets	768	3,975	4,743
<b>Total</b>	<b>5,872</b>	<b>6,703</b>	<b>12,575</b>

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering the HK dollar is pegged to USD, the Group combined the USD assets with the HK dollar assets when conducting the currency risk analysis.

For the year ended 31 December 2016, if RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB610 million (for the year ended 31 December 2015: RMB568 million), other comprehensive income would have been decreased or increased by RMB441 million (for the year ended 31 December 2015: RMB481 million) mainly as a result of foreign exchange losses or gains from the translation of USD and HK dollar denominated financial assets other than equity financial assets.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2016: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore the Group's overall exposure to credit risk is relatively low.

#### *Credit risk exposure*

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

#### *Collateral and other credit enhancements*

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, or use the budgeted financial income of the central government as the source of funding for repayment.

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (b) Credit risk (Continued)

###### *Credit quality*

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, financial products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Proportion	As at 31 December	
	2016	2015
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	100%	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	100%	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	100%	100%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	77.08%	90.75%

##### (c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4(2)(e)).

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

##### (c) Liquidity risk (Continued)

As at 31 December 2016	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
<b>Financial and insurance assets</b>						
Debt financial assets	436,810	–	104,918	112,212	120,554	257,853
Equity financial assets	107,693	107,693	–	–	–	–
Term deposits	79,845	–	46,863	12,277	21,055	6,521
Statutory deposits	816	–	196	676	–	–
Policy loans	23,831	–	23,831	–	–	–
Financial assets purchased under agreements to resell	2,325	–	2,326	–	–	–
Accrued investment income	9,669	–	9,655	14	–	–
Premiums receivable	1,846	–	1,846	–	–	–
Reinsurance assets	2,693	–	1,028	(203)	(193)	2,405
Cash and cash equivalents	14,230	–	14,230	–	–	–
<b>Total financial and insurance assets</b>	<b>679,758</b>	<b>107,693</b>	<b>204,893</b>	<b>124,976</b>	<b>141,416</b>	<b>266,779</b>
<b>Financial and insurance liabilities</b>						
Long-term insurance contracts	(541,424)	–	(12,927)	(26,644)	3,553	(1,213,071)
Short-term insurance contracts	(1,804)	–	(1,241)	–	–	–
Investment contracts	(30,071)	–	(3,720)	(5,418)	(5,552)	(35,361)
Borrowings	(14,000)	–	(10,684)	(4,448)	–	–
Financial liabilities at fair value through profit or loss	(9)	(9)	–	–	–	–
Financial assets sold under agreements to repurchase	(39,246)	–	(39,252)	–	–	–
Benefits, claims and surrenders payable	(2,950)	–	(2,950)	–	–	–
Reinsurance liabilities	(215)	–	(215)	–	–	–
<b>Total financial and insurance liabilities</b>	<b>(629,719)</b>	<b>(9)</b>	<b>(70,989)</b>	<b>(36,510)</b>	<b>(1,999)</b>	<b>(1,248,432)</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (c) Liquidity risk (Continued)

As at 31 December 2015	Contractual or expected cash flows (undiscounted)					
	Carrying amount	No stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
<b>Financial and insurance assets</b>						
Debt financial assets	348,281	–	40,212	79,266	118,444	254,052
Equity financial assets	110,696	110,696	–	–	–	–
Term deposits	127,679	–	72,705	51,109	11,969	–
Statutory deposits	716	–	722	1	–	–
Policy loans	20,879	–	20,879	–	–	–
Financial assets purchased under agreements to resell	91	–	91	–	–	–
Accrued investment income	9,816	–	9,540	276	–	–
Premiums receivable	1,525	–	1,525	–	–	–
Reinsurance assets	3,360	–	1,807	30	(183)	2,138
Cash and cash equivalents	13,904	–	13,904	–	–	–
<b>Total financial and insurance assets</b>	<b>636,947</b>	<b>110,696</b>	<b>161,385</b>	<b>130,682</b>	<b>130,230</b>	<b>256,190</b>
<b>Financial and insurance liabilities</b>						
Long-term insurance contracts	(522,799)	–	(29,109)	(39,377)	(29,645)	(1,099,085)
Short-term insurance contracts	(1,642)	–	(1,129)	–	–	–
Investment contracts	(27,166)	–	(2,415)	(5,864)	(5,743)	(37,362)
Borrowings	(19,000)	–	(5,969)	(10,908)	(4,224)	–
Financial liabilities at fair value through profit or loss	(22)	(22)	–	–	–	–
Financial assets sold under agreements to repurchase	(19,816)	–	(19,817)	–	–	–
Benefits, claims and surrenders payable	(1,624)	–	(1,624)	–	–	–
Reinsurance liabilities	(95)	–	(95)	–	–	–
<b>Total financial and insurance liabilities</b>	<b>(592,164)</b>	<b>(22)</b>	<b>(60,158)</b>	<b>(56,149)</b>	<b>(39,612)</b>	<b>(1,136,447)</b>



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (c) Liquidity risk (Continued)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The results of above estimates are affected by a number of assumptions. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rates, loss ratio, expenses and other assumptions. Actual experience may differ from estimates.

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB30,029 million as at 31 December 2016, payable within one year (as at 31 December 2015: RMB27,092 million).

#### (d) **Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity**

The Group's investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments are subject to the terms and conditions of the respective offering documents. The Group makes investment decisions after extensive due diligence of those underlying trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management product, private equity and other unlisted equity investments, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those investments mentioned above after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The carrying amount of investments in those trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments is the best representation of the Group's maximum exposure to loss from those investments.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (2) Financial risk (Continued)

(d) *Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity (Continued)*

Category of investment	Classification of investment	Carrying amount	Types of income	Amount of income
<b>Debt financial assets</b>				
Trust products	Available-for-sale financial assets	62,534	Interest income	3,558
Debt investment plans	Loans and receivables	32,835	Interest income	1,949
Asset funding plans	Loans and receivables	20,000	Interest income	1,377
Asset management products	Available-for-sale financial assets	80	Interest income	5
Asset management products	Financial assets at fair value through profit or loss	2,588	Interest income	199
Perpetual bonds	Available-for-sale financial assets	5,000	Interest income	4
Wealth investment products	Available-for-sale financial assets	71,126	Interest income	2,032
<b>Equity financial assets</b>				
Equity investment plans	Available-for-sale financial assets	3,700	Dividend income	5
Asset management products	Available-for-sale financial assets	13,769	Dividend income	797
Other unlisted equity investments	Available-for-sale financial assets	11,063	Dividend income	18
Private equity	Available-for-sale financial assets	2,728	Dividend income	5

(e) *Matching risk of assets and liabilities*

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

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (f) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined of the CIRC, are to comply with the insurance capital requirements of the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Pursuant to "Notification of Related Matters on Official Implementation of China Risk Oriented Solvency System" released by the CIRC, insurance companies should implement Insurance Institution Solvency Regulations (NO.1-17) ("C-ROSS") from 1 January 2016. The Company computes solvency ratio in accordance with C-ROSS, and recognizes, assesses and manages variant risks from 1 January 2016.

The table below summarises the solvency ratios of the Company under C-ROSS:

	As at 31 December	
	2016	2015 (Unaudited)
Core capital	168,616	145,680
Actual capital	182,616	164,680
Minimum capital	64,917	58,613
Core solvency margin ratio	259.74%	248.54%
Comprehensive solvency margin ratio	281.30%	280.96%

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (f) Capital management (Continued)

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

- (i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;
- (ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;
- (iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;
- (iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to Financial Department Letter [2017] No.459 released by the Financial Department of CIRC, "Notification on the results of the classification of regulatory evaluation in the forth quarter of 2016", the latest comprehensive risk assessment result of the Company is A.

### (3) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 4 RISK MANAGEMENT (Continued)

### (3) Fair value hierarchy (Continued)

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation techniques using significant inputs, other than Level 1 quoted prices, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of financial assets classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt financial assets for which quotations are available from pricing service providers. Fair values provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as at 31 December 2016. The disclosure below excludes financial instruments for which the fair value approximates the carrying amount. This is the case because of the short term nature of certain trust products and wealth management products, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value since inception in 2016.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
<b>Available-for-sale financial assets</b>					
Trust products	62,534	Discounted cash flow	Discount rate	4.1%-11%	The higher the discount rate, the lower the fair value.
Wealth investment products	71,126	Discounted cash flow	Discount rate	2.8%-4.1%	The higher the discount rate, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2016 and 2015:

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
<b>As at 31 December 2016</b>				
<b>Assets</b>				
Available-for-sale financial assets				
– Equity financial assets	80,240	1,032	500	81,772
– Debt financial assets	1,806	43,499	133,740	179,045
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	8,398	32	–	8,430
– Debt financial assets	317	499	–	816
Designated as at fair value through profit or loss				
– Equity financial assets	–	–	–	–
– Debt financial assets	–	–	2,588	2,588
<b>Total</b>	<b>90,761</b>	<b>45,062</b>	<b>136,828</b>	<b>272,651</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
Unit-linked contracts	–	9	–	9
	–	251	–	251
<b>Total</b>	<b>–</b>	<b>260</b>	<b>–</b>	<b>260</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (a) Assets and liabilities measured at fair value (Continued)

As at 31 December 2015	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
<b>Assets</b>				
Available-for-sale financial assets				
– Equity financial assets	83,213	2,142	500	85,855
– Debt financial assets	2,110	47,399	67,159	116,668
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	10,305	26	–	10,331
– Debt financial assets	199	602	–	801
Designated as at fair value through profit or loss				
– Equity financial assets	–	136	–	136
– Debt financial assets	–	–	2,588	2,588
<b>Total</b>	<b>95,827</b>	<b>50,305</b>	<b>70,247</b>	<b>216,379</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	–	22	–	22
Unit-linked contracts	–	285	–	285
<b>Total</b>	<b>–</b>	<b>307</b>	<b>–</b>	<b>307</b>



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2015 and 2016.

<b>For the year ended 31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	1,028	634
– Transfer out	(634)	(1,028)
Debt financial assets		
– Transfer in	552	–
– Transfer out	–	(552)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	–	12
– Transfer out	(12)	–
<b>For the year ended 31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	809	1,548
– Transfer out	(1,548)	(809)
Debt financial assets		
– Transfer in	1,721	882
– Transfer out	(882)	(1,721)
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	92	–
– Transfer out	–	(92)

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (a) Assets and liabilities measured at fair value (Continued)

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

Financial assets for which the Group could obtain quoted prices (unadjusted) in active markets as at 31 December 2016 but could not obtain quoted prices (unadjusted) in active markets as at 31 December 2015 were transferred to Level 1 from Level 2. Financial assets for which the Group could not obtain quoted prices (unadjusted) in active markets as at 31 December 2016 but could obtain quoted prices (unadjusted) in active markets as at 31 December 2015 were transferred to Level 2 from Level 1.

There were no transfers into or out of Level 3 for the years ended 31 December 2016 and 2015.

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale		At fair value through profit or loss		Total
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	
1 January 2015	174	60,704	60,878	2,588	63,466
Purchase	500	42,323	42,823	–	42,823
Maturity	(174)	(35,868)	(36,042)	–	(36,042)
31 December 2015	500	67,159	67,659	2,588	70,247
1 January 2016	500	67,159	67,659	2,588	70,247
Purchase	–	91,599	91,599	–	91,599
Maturity	–	(25,018)	(25,018)	–	(25,018)
<b>31 December 2016</b>	<b>500</b>	<b>133,740</b>	<b>134,240</b>	<b>2,588</b>	<b>136,828</b>

There are no material gains or losses recognized in other comprehensive income or profit or loss for the year ended 31 December 2016 that are attributable to Level 3 financial assets held by the Group as at 31 December 2016 (as at 31 December 2015: Nil).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 4 RISK MANAGEMENT (Continued)

#### (3) Fair value hierarchy (Continued)

##### (b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2016 and 31 December 2015:

As at 31 December 2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Held-to-maturity	19,587	186,446	–	206,033
Loans and receivables	–	–	54,235	54,235
Investment properties	–	–	4,421	4,421
<b>Total</b>	<b>19,587</b>	<b>186,446</b>	<b>58,656</b>	<b>264,689</b>
<b>Liabilities</b>				
Borrowings	–	(14,100)	–	(14,100)
<b>Total</b>	<b>–</b>	<b>(14,100)</b>	<b>–</b>	<b>(14,100)</b>

As at 31 December 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Held-to-maturity	8,138	185,398	–	193,536
Loans and receivables	–	13	50,709	50,722
Investment properties	–	–	3,208	3,208
<b>Total</b>	<b>8,138</b>	<b>185,411</b>	<b>53,917</b>	<b>247,466</b>
<b>Liabilities</b>				
Borrowings	–	(19,492)	–	(19,492)
<b>Total</b>	<b>–</b>	<b>(19,492)</b>	<b>–</b>	<b>(19,492)</b>

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION

### (1) Operating segments

The Group mainly has the following three segments:

#### (i) Individual insurance business

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

#### (ii) Group insurance business

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

#### (iii) Other business

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

### (2) Allocation basis of income and expense

Insurance business income and expense directly attributable to segments will be allocated to each segment; income and expense, such as investment income, which are indirectly attributable to operating segments, will be allocated to each segment in proportion to the respective segment's average insurance contract liabilities and investment 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.

# Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)*

## 5 SEGMENT INFORMATION (Continued)

**(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**

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2016				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	111,053	1,595	–	–	112,648
Less: premiums ceded out	(802)	(134)	–	–	(936)
<b>Net written premiums and policy fees</b>	<b>110,251</b>	<b>1,461</b>	<b>–</b>	<b>–</b>	<b>111,712</b>
Net change in unearned premiums liabilities	2	(79)	–	–	(77)
<b>Net premiums earned and policy fees</b>	<b>110,253</b>	<b>1,382</b>	<b>–</b>	<b>–</b>	<b>111,635</b>
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)	–
<b>Total revenues</b>	<b>142,443</b>	<b>1,714</b>	<b>885</b>	<b>(246)</b>	<b>144,796</b>
<b>Benefits, claims and expenses</b>					
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)
<b>Total benefits, claims and expenses</b>	<b>(134,627)</b>	<b>(2,240)</b>	<b>(726)</b>	<b>585</b>	<b>(137,008)</b>
Share of results of associates and joint ventures	146	2	–	–	148
Finance costs	(1,344)	(110)	–	–	(1,454)
<b>Net profit before income tax</b>	<b>6,618</b>	<b>(634)</b>	<b>159</b>	<b>339</b>	<b>6,482</b>
Income tax	–	–	(1,485)	(54)	(1,539)
Including: inter-segment income tax	–	–	54	(54)	–
<b>Net profit for the year</b>	<b>6,618</b>	<b>(634)</b>	<b>(1,326)</b>	<b>285</b>	<b>4,943</b>
<b>Segment assets</b>	<b>672,883</b>	<b>6,427</b>	<b>20,023</b>	<b>(152)</b>	<b>699,181</b>
<b>Segment liabilities</b>	<b>616,121</b>	<b>6,317</b>	<b>17,770</b>	<b>(152)</b>	<b>640,056</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2016:

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)

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2015				
	Insurance		Others	Elimination	Total
	Individual	Group			
<b>Revenues</b>					
Gross written premiums and policy fees	110,633	1,361	–	–	111,994
Less: premiums ceded out	(528)	(162)	–	–	(690)
<b>Net written premiums and policy fees</b>	<b>110,105</b>	<b>1,199</b>	<b>–</b>	<b>–</b>	<b>111,304</b>
Net change in unearned premiums liabilities	(60)	111	–	–	51
<b>Net premiums earned and policy fees</b>	<b>110,045</b>	<b>1,310</b>	<b>–</b>	<b>–</b>	<b>111,355</b>
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)	–
<b>Total revenues</b>	<b>154,978</b>	<b>1,887</b>	<b>1,498</b>	<b>(445)</b>	<b>157,918</b>
<b>Benefits, claims and expenses</b>					
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)
<b>Total benefits, claims and expenses</b>	<b>(142,333)</b>	<b>(2,021)</b>	<b>(936)</b>	<b>476</b>	<b>(144,814)</b>
Share of results of associates and joint ventures	516	6	13	–	535
Finance costs	(1,747)	(110)	–	–	(1,857)
<b>Net profit before income tax</b>	<b>11,414</b>	<b>(238)</b>	<b>575</b>	<b>31</b>	<b>11,782</b>
Income tax	–	–	(3,180)	–	(3,180)
<b>Net profit for the year</b>	<b>11,414</b>	<b>(238)</b>	<b>(2,605)</b>	<b>31</b>	<b>8,602</b>
<b>Segment assets</b>	<b>630,545</b>	<b>6,185</b>	<b>23,939</b>	<b>(109)</b>	<b>660,560</b>
<b>Segment liabilities</b>	<b>573,111</b>	<b>5,945</b>	<b>23,772</b>	<b>(109)</b>	<b>602,719</b>



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2015:

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

### 6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2016	4,424	1,184	185	2,261	8,054
Additions	40	127	1	2,572	2,740
Transfers upon completion	2,277	51	–	(2,328)	–
Transfer from investment properties	96	–	–	–	96
Transfer to investment properties	(553)	–	–	(861)	(1,414)
Transfer to intangible assets	–	–	–	(71)	(71)
Disposals	–	(80)	(2)	–	(82)
Effect of change of consolidation scope	–	(116)	(4)	–	(120)
Others	–	–	–	(16)	(16)
As at 31 December 2016	6,284	1,166	180	1,557	9,187
<b>Accumulated depreciation</b>					
As at 1 January 2016	(473)	(682)	(72)	–	(1,227)
Charges for the year	(107)	(124)	(14)	–	(245)
Transfer from investment properties	(18)	–	–	–	(18)
Transfer to investment properties	41	–	–	–	41
Disposals	–	75	3	–	78
Effect of change of consolidation scope	–	32	1	–	33
As at 31 December 2016	(557)	(699)	(82)	–	(1,338)
<b>Net book value</b>					
As at 1 January 2016	3,951	502	113	2,261	6,827
As at 31 December 2016	5,727	467	98	1,557	7,849

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2015	4,001	1,076	188	1,713	6,978
Additions	8	171	8	1,807	1,994
Transfers upon completion	598	7	–	(605)	–
Transfer from investment properties	30	–	–	–	30
Transfer to investment properties	(212)	–	–	(387)	(599)
Disposals	(1)	(70)	(11)	–	(82)
Others	–	–	–	(267)	(267)
As at 31 December 2015	4,424	1,184	185	2,261	8,054
<b>Accumulated depreciation</b>					
As at 1 January 2015	(387)	(610)	(64)	–	(1,061)
Charges for the year	(95)	(138)	(14)	–	(247)
Transfer from investment properties	(5)	–	–	–	(5)
Transfer to investment properties	14	–	–	–	14
Disposal	–	66	6	–	72
As at 31 December 2015	(473)	(682)	(72)	–	(1,227)
<b>Net book value</b>					
As at 1 January 2015	3,614	466	124	1,713	5,917
As at 31 December 2015	3,951	502	113	2,261	6,827

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB1,473 million as at 31 December 2016 (as at 31 December 2015: RMB459 million).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2016	2015
<b>Cost</b>		
Beginning of the year	2,409	1,840
Transfers from property, plant and equipment (Note 6)	1,414	599
Transfer to property, plant and equipment (Note 6)	(96)	(30)
Additions	1	–
End of the year	3,728	2,409
<b>Accumulated depreciation</b>		
Beginning of the year	(232)	(175)
Transfers from property, plant and equipment (Note 6)	(41)	(14)
Transfer to property, plant and equipment (Note 6)	18	5
Charges for the year	(78)	(48)
End of the year	(333)	(232)
<b>Net book value</b>		
Beginning of the year	2,177	1,665
End of the year	3,395	2,177

Rental income from investment properties is recognized in “Other income” (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as at 31 December 2016 was RMB4,421 million (as at 31 December 2015: RMB3,208 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB827 million as at 31 December 2016 (as at 31 December 2015: Nil).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value at 31 December 2016	Significant unobservable inputs		Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Shanghai	1,930	Rental value	Office	RMB53,700-83,000 per year per square meter	The higher the rental value, the higher the fair value.
			Commercial	RMB84,000-93,000 per year per square meter	
			Garage	RMB1,200-1,600 per month per unit	
		Market yield		3.5%-4.5%	The higher the market yield, the lower the fair value.
Rental units – Beijing	981	Rental value		RMB10-12 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield		6%-7%
Rental units – Shandong	431	Rental value		RMB2.7-3.2 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield		6%-7%
Idle units – Xi'an	283	Rental value		RMB3.7-4 per day per square meter	The higher the rental value, the higher the fair value.
			Market yield		5.5%-7%
Rental units – Shenzhen	162	Rental value		RMB46,000-53,000 per year per square meter	The higher the rental value, the higher the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2016	Significant unobservable inputs		Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Zhengzhou	147	Rental value	Office	RMB1.7-2.5 per day per square meter	The higher the rental value, the higher the fair value.
			Commercial	RMB4.5-6.67 per day per square meter	
		Market yield	Office	3%-6%	The higher the market yield, the lower the fair value.
			Commercial	5%-5.5%	
Rental units – Guangxi	132	Rental value		RMB3.3-4.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield		6.25%-6.5%	The higher the market yield, the lower the fair value.
Rental units – Wuhan	109	Rental value		RMB7.8-8.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield		5%-5.5%	The higher the market yield, the lower the fair value.
Rental units-Nanjing	108	Rental value		RMB7.6-8.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield		4.5%-6%	The higher the market yield, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2016	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Hohhot	48	Rental value	RMB1.7-2.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental units – Weifang	27	Rental value	RMB1.5-2 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	7%-8%	The higher the market yield, the lower the fair value.
Idle units – Shenyang- Zhongrun International Building	25	Rental value	RMB1.4-1.6 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	4.5%-5.5%	The higher the market yield, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2016	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units – Fuzhou	25	Rental value	RMB2.0-2.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-6%	The higher the market yield, the lower the fair value.
Idle units – Shenyang – Zhonghui Plaza	10	Rental value	RMB2.5-3.2 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.5%-7.5%	The higher the market yield, the lower the fair value.
Rental units – Yantai	3	Rental value	RMB1.4-1.6 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-6%	The higher the market yield, the lower the fair value.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 8 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software and land use rights.

	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2016	676	1,426	2,102
Additions	20	159	179
Transfers upon completion	71	–	71
Effect of change of consolidation scope	(10)	–	(10)
As at 31 December 2016	757	1,585	2,342
<b>Accumulated amortization</b>			
As at 1 January 2016	(325)	(84)	(409)
Amortization	(104)	(39)	(143)
Effect of change of consolidation scope	2	–	2
As at 31 December 2016	(427)	(123)	(550)
<b>Net book value</b>			
As at 1 January 2016	351	1,342	1,693
As at 31 December 2016	330	1,462	1,792

	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2015	433	1,426	1,859
Additions	243	–	243
As at 31 December 2015	676	1,426	2,102
<b>Accumulated amortization</b>			
As at 1 January 2015	(251)	(49)	(300)
Amortization	(74)	(35)	(109)
As at 31 December 2015	(325)	(84)	(409)
<b>Net book value</b>			
As at 1 January 2015	182	1,377	1,559
As at 31 December 2015	351	1,342	1,693

The Group was in the process of obtaining the legal title in respect of the ownership of land use rights with an aggregate net book value of approximately RMB1,277 million as at 31 December 2016 (as at 31 December 2015: RMB1,312 million). Since the Group was not permitted to construct on the land mentioned above, the Group has not obtained the legal title in respect of the ownership of the land use rights.



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2016	2015
Beginning of the year	3,626	10,150
Additions	287	2,829
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	45	–
Disposal	–	(9,070)
Effect of the introduction of strategic investors to New China Health (Note 9(3))	765	–
Share of other reserves	(63)	–
Share of profit	148	535
Cash dividend from investments in associates and joint ventures	(85)	(818)
Share of other comprehensive income	(148)	–
End of the year	4,575	3,626

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Details of investments in associates and joint ventures:

Name of entity	Country of incorporation	Particulars of issued shares held	Interest held	Principal activities	Measurement method
<b>Associates</b>					
China Jinmao Holdings Group Limited ("China Jinmao")	Hong Kong, the PRC	N/A	9.97%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") <sup>(1)</sup>	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
New China Capital International Management Limited ("New China Capital International")	Cayman Islands	HKD39 million	39.86%	Asset management	Equity
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou") <sup>(2)</sup>	Nanjing, the PRC	RMB19.1 million	40%	Education investment, etc.	Equity
<b>Joint venture</b>					
New China Health <sup>(3)</sup>	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	Equity

(1) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

(2) On 22 September 2015, the Company signed a share transfer agreement with Weiyuanzhou and Tang Wei, the shareholder of Weiyuanzhou, for the purchase of 40% of the shares of Weiyuanzhou. The Company needs to pay RMB192 million according to the agreement, and up to date of the consolidated financial statements, the Company has paid RMB116 million. On 14 April 2016, the business license of Weiyuanzhou had been revised according to the share transfer transaction.

(3) On 4 December 2015, the Company and New China Health, signed an investment agreement with iKang Guobin Healthcare Group Ltd. ("iKang Guobin") and Shenzhen Top Spring Puchang Investment Management Co., Ltd. ("Top Spring Puchang"). iKang Guobin and Top Spring Puchang subscribed RMB507 million and RMB113 million of the additional registered capital respectively with RMB765 million and RMB170 million paid in cash. On 1 January 2016, New China Health changed the registered capital to RMB1,127 million. After the change, the Company, iKang Guobin and Top Spring Puchang hold 45%, 45% and 10% of the shares respectively. As the Company and iKang Guobin has joint control over New China Health, New China Health is classified as an investment in joint venture since 1 January 2016.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2016, the stock price of China Jinmao was HKD2.09 per share.

Except China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

#### Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/ For the year ended 31 December 2016 China Jinmao	As at/ For the year ended 31 December 2015 China Jinmao
Current assets	86,283	61,797
Non-current assets	80,621	71,326
Total assets	166,904	133,123
Current liabilities	71,382	45,413
Non-current liabilities	39,778	38,363
Total liabilities	111,160	83,776
Equity attributable to shareholders of the Group	31,626	33,547
Less: perpetual convertible securities	(2,638)	(3,844)
Equity attributable to shareholders of the company after adjustment	28,988	29,703
Group's share of net assets of the associates	2,890	2,822
Adjustments	(57)	-
Carrying amount of the investment in China Jinmao	2,833	2,822
Revenues	27,304	17,753
Profit for the year	4,574	4,097
Total comprehensive income for the year	3,112	(51)
Dividends received	71	-

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

#### Material associate investment (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2016	2015
Aggregate carrying amount of the Group's investments in the associates	1,027	804
Total of Group's share of the following items of the associates		
Profit for the year	45	13
Other comprehensive income	–	–
Total comprehensive income for the year	45	13

#### Material joint venture investment

The following tables illustrate the summarized financial information in respect of the material joint venture investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December 2016 New China Health
Current assets	123
Non-current assets	1,118
Total assets	1,241
Current liabilities	134
Non-current liabilities	–
Total liabilities	134
Equity attributable to shareholders of the Group	1,107
Group's share of net assets of the joint venture	499
Adjustments	216
Carrying amount of the investment in New China Health	715
Revenues	221
Profit for the year	(112)
Total comprehensive income for the year	(112)

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS

#### (1) Held-to-maturity investments

	As at 31 December 2016	As at 31 December 2015
Debt financial assets		
Government bonds	62,359	45,834
Financial bonds	34,639	29,724
Corporate bonds	42,913	42,792
Subordinated bonds	55,215	59,152
<b>Total</b>	<b>195,126</b>	<b>177,502</b>
Debt financial assets		
Listed	53,763	26,538
Unlisted	141,363	150,964
<b>Total</b>	<b>195,126</b>	<b>177,502</b>

The fair value of the held-to-maturity investments as at 31 December 2016 was RMB206,033 million (as at 31 December 2015: RMB193,536 million).

The fair value of listed held-to-maturity investments was RMB41,443 million as at 31 December 2016 (as at 31 December 2015: RMB28,542 million).

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

<b>Maturity</b>	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	6,730	1,411
After 1 year but within 3 years (including 3 years)	27,898	19,815
After 3 years but within 5 years (including 5 years)	26,047	21,783
After 5 years	134,451	134,493
<b>Total</b>	<b>195,126</b>	<b>177,502</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (2) Available-for-sale financial assets

	As at 31 December 2016	As at 31 December 2015
Debt financial assets		
Government bonds	300	40
Financial bonds	3,523	3,387
Corporate bonds	28,917	31,841
Subordinated bonds	12,565	14,241
Perpetual bonds	5,000	–
Trust products	62,534	49,903
Wealth investment products	71,126	17,176
Asset management products	80	80
Subtotal	184,045	116,668
Equity financial assets		
Funds	39,105	42,570
Stock	27,642	31,820
Preferred stock	1,256	913
Asset management products	13,769	10,552
Private equity	2,728	996
Equity investment plans	3,700	3,200
Other unlisted equity investments	11,063	10,178
Subtotal	99,263	100,229
Total	283,308	216,897
Debt financial assets		
Listed	5,980	7,356
Unlisted	178,065	109,312
Subtotal	184,045	116,668
Equity financial assets		
Listed	33,827	37,614
Unlisted	65,436	62,615
Subtotal	99,263	100,229
Total	283,308	216,897

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

<b>Maturity</b>	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
Within 1 year (including 1 year)	80,542	23,621
After 1 year but within 3 years (including 3 years)	37,636	22,534
After 3 years but within 5 years (including 5 years)	39,402	35,796
After 5 years	26,465	34,717
Total	184,045	116,668

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (3) Financial assets at fair value through profit or loss

	As at 31 December 2016	As at 31 December 2015
Held for trading		
Debt financial assets		
Government bonds	216	–
Financial bonds	19	–
Corporate bonds	168	367
Subordinated bonds	413	434
Debt financial assets subtotal	816	801
Equity financial assets		
Funds	7,924	9,701
Stocks	506	630
Equity financial assets subtotal	8,430	10,331
Subtotal	9,246	11,132
Designated as at fair value through profit or loss		
Debt financial assets		
Asset management products	2,588	2,588
Debt financial assets subtotal	2,588	2,588
Equity financial assets		
Preferred stock	–	136
Equity financial assets subtotal	–	136
Subtotal	2,588	2,724
Total	11,834	13,856
Debt financial assets		
Listed	317	206
Unlisted	3,087	3,183
Subtotal	3,404	3,389
Equity financial assets		
Listed	992	1,048
Unlisted	7,438	9,419
Subtotal	8,430	10,467
Total	11,834	13,856

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 10 FINANCIAL ASSETS (Continued)

### (4) Loans and receivables

	As at 31 December 2016	As at 31 December 2015
Government bonds	–	13
Asset funding plan (i)	20,000	20,000
Debt investment plan (ii)	32,835	29,299
Subordinated debt	1,400	1,410
<b>Total</b>	<b>54,235</b>	<b>50,722</b>

- (i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”) and New China Life – Huarong No.1 Asset Funding Plan (“Huarong No.1 Funding Plan”).

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the Funding Plan are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group’s exposure is limited to the outstanding principal and interest. Under this 7-year funding plan, China Huarong Asset Management Co. (“Huarong Asset”) should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset which were verified by the plan manager of the Funding Plan, which are co-managed by Huarong Asset, the Trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan.

- (ii) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (5) Term deposits

The due dates of the term deposits are as follows:

<b>Maturity</b>	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
Within 1 year (including 1 year)	45,036	69,534
After 1 year but within 3 years (including 3 years)	9,209	47,045
After 3 years but within 5 years (including 5 years)	19,100	11,100
More than 5 years	6,500	–
Total	79,845	127,679

#### (6) Statutory deposits

The due dates of the statutory deposits are as follows:

<b>Maturity</b>	<b>As at 31 December 2016</b>	<b>As at 31 December 2015</b>
Within 1 year (including 1 year)	195	715
After 1 year but within 3 years (including 3 years)	621	1
Total	816	716

According to the relevant regulations issued by the CIRC, statutory deposits can only be used by insurance companies and insurance agencies to discharge debt upon liquidation.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 10 FINANCIAL ASSETS (Continued)

#### (7) Accrued investment income

	As at 31 December 2016	As at 31 December 2015
Bank deposits	2,641	4,688
Debt financial assets	6,500	4,626
Other	528	502
<b>Total</b>	<b>9,669</b>	<b>9,816</b>
Current	9,653	9,541
Non-current	16	275
<b>Total</b>	<b>9,669</b>	<b>9,816</b>

### 11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

### 12 REINSURANCE ASSETS

	As at 31 December 2016	As at 31 December 2015
Claims and claims adjustment expenses ceded (Note 14)	38	32
Unearned premiums liabilities ceded (Note 14)	57	53
Long-term insurance contracts ceded (Note 14)	1,878	3,180
Due from reinsurance companies	720	95
<b>Total</b>	<b>2,693</b>	<b>3,360</b>
Current	1,070	333
Non-current	1,623	3,027
<b>Total</b>	<b>2,693</b>	<b>3,360</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 13 OTHER ASSETS

As at 31 December 2016			
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	353	–	353
Prepaid and deferred expenses	615	–	615
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	915	(915)	–
Prepaid taxes (2)	165	–	165
Prepayment for Heilongjiang branch's office building (3)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	14	(14)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	4	–	4
Others	371	(4)	367
<b>Total</b>	<b>2,502</b>	<b>(998)</b>	<b>1,504</b>

As at 31 December 2015			
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	5,964	–	5,964
Prepaid and deferred expenses	1,523	–	1,523
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	931	(931)	–
Prepaid taxes (2)	637	–	637
Prepayment for Heilongjiang branch's office building (3)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	14	(14)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	5	–	5
Others	1,160	(5)	1,155
<b>Total</b>	<b>10,299</b>	<b>(1,015)</b>	<b>9,284</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 13 OTHER ASSETS (Continued)

	As at 31 December 2016	As at 31 December 2015
Current	1,142	8,910
Non-current	362	374
Total	1,504	9,284

### (1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as at the end of the reporting period.

### (2) Prepaid taxes

Prepaid taxes are prepaid taxes and surcharges related to the Group's insurance and investment activities. They will be refunded to the Group or can be used as credits to offset future tax obligations upon the tax bureau's approval.

### (3) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Since the recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

### (4) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

## Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)*

### 13 OTHER ASSETS (Continued)

#### (5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

In 2013, the Company recovered RMB9 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

#### (6) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

#### (7) Litigation deposit

Litigation deposit represents deposits required by the court for routine litigations in progress, and will be returned to the Group upon the conclusion of the cases.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 14 INSURANCE CONTRACT LIABILITIES

### (1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

#### (a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 31 December 2016 and 31 December 2015 are as follows:

	<b>Discount rate assumption</b>
31 December 2016	4.50%~5.00%
31 December 2015	5.00%~5.50%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, with consideration of liquidity spreads, taxation impacts and other relevant factors. The expected discount rates of the Group as at 31 December 2016 and 31 December 2015 are as follows:

	<b>Discount rate assumption</b>
31 December 2016	3.23%~5.32%
31 December 2015	3.57%~5.93%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period including consideration of risk margins.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (1) Process used to determine assumptions (Continued)

##### (b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006-2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

##### (c) Expenses assumption

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expenses assumption is affected by certain factors, such as inflation and market competition. The Group determines expenses assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per policy	% of premium	RMB per insured	% of premium
31 December 2016	75-95	0.90%-1.40%	50	0.20%
31 December 2015	85-95	1.20%-1.55%	55	0.45%



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 14 INSURANCE CONTRACT LIABILITIES (Continued)

### (1) Process used to determine assumptions (Continued)

#### (d) Policy dividend assumption

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

#### (e) Lapse rate and other assumptions

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

### (2) Net liabilities of insurance contracts

	As at 31 December 2016	As at 31 December 2015
<b>Gross</b>		
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
Total, gross	543,228	524,441
<b>Recoverable from reinsurers</b>		
Long-term insurance contracts (Note 12)	(1,878)	(3,180)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 12)	(38)	(32)
– Unearned premiums liabilities (Note 12)	(57)	(53)
Total, ceded	(1,973)	(3,265)
<b>Net</b>		
Long-term insurance contract liabilities	539,546	519,619
Short-term insurance contract liabilities		
– Outstanding claims liabilities	602	527
– Unearned premiums liabilities	1,107	1,030
Total, net	541,255	521,176

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2016	2015
<b>Beginning of the year – Gross</b>	559	562
Cash paid for claims settled in the year		
– Cash paid for current year claims	(823)	(756)
– Cash paid for prior year claims	(469)	(448)
Claims incurred in the year		
– Claims arising in the current year	1,423	1,278
– Claims adjusted for prior years	(50)	(77)
<b>End of the year – Gross</b>	640	559

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2015	1,132	(51)	1,081
Increase	2,831	(177)	2,654
Release	(2,880)	175	(2,705)
As at 31 December 2015	1,083	(53)	1,030
Increase	3,212	(149)	3,063
Release	(3,131)	145	(2,986)
As at 31 December 2016	1,164	(57)	1,107

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 14 INSURANCE CONTRACT LIABILITIES (Continued)

#### (4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

	For the year ended 31 December	
	2016	2015
Beginning of the year	522,799	478,406
Premiums	109,348	109,028
Release of liabilities (i)	(115,823)	(107,740)
Accretion of interest	24,026	22,948
Changes in assumption (ii)	6,245	4,489
Other movements (iii)	(5,171)	15,668
End of the year	541,424	522,799

- (i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.
- (ii) Changes in assumptions are impact of changes in the discount rate assumption, mortality and morbidity assumptions, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.
- (iii) Other movements include accumulated realized but not yet announced policy dividend movement and change of shadow adjustments.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 15 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movements in liabilities of investment contracts:

	For the year ended 31 December	
	2016	2015
<b>Investment contracts excluding unit-linked contracts</b>		
Beginning of the year	26,881	27,965
Deposits received	10,609	8,865
Deposits paid and liabilities transferred out	(8,615)	(11,140)
Policy fees deducted from account balances	(88)	(135)
Interest and benefits accrued	1,085	1,294
Changes in investment contracts recorded in other comprehensive income	(52)	32
End of the year	29,820	26,881
<b>Unit-linked contracts</b>		
Beginning of the year	285	248
Deposits received	1	5
Deposits paid and liabilities transferred out	(19)	(44)
Fair value changes	(16)	76
End of the year	251	285
End of the year – Gross	30,071	27,166

## Notes to Consolidated Financial Statements (Continued)

*For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)*

### 16 BORROWINGS

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB5,000 million, and with an interest rate of 5.7% per annum. The Company has the right to redeem the debt partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.7% per annum beginning in the sixth year until the maturity date. On 26 July 2016, the fourth meeting of the sixth session of the Board of Directors approved the early redemption of the subordinated debt with the amount of RMB5,000 million in September 2016. The Company redeemed the debt wholly in September 2016.

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB10,000 million, and with an interest rate of 4.6% per annum. The Company has the right to redeem the debts partially or wholly at the end the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 6.6% per annum beginning in the sixth year until the maturity date.

Upon the approval of the CIRC in November 2014, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB4,000 million, and with an interest rate of 5.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.6% per annum beginning in the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

The fair value of borrowings as at 31 December 2016 was RMB14,100 million, which are within Level 2 of the fair value hierarchy.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2016	As at 31 December 2015
By market		
Inter-bank market	6,531	4,890
Stock exchange	32,715	14,926
Total	39,246	19,816
By collateral		
Bonds	39,246	19,816
Total	39,246	19,816

Maturity:

	As at 31 December 2016	As at 31 December 2015
Within 3 months (including 3 months)	39,246	19,816
Total	39,246	19,816

As at 31 December 2016, bonds with par value of RMB6,563 million (as at 31 December 2015: RMB4,932 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2016, the amount of financial assets deposited in the collateral pool amounted to RMB57,103 million (as at 31 December 2015: RMB31,874 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 18 PROVISIONS

	Lawsuits and disputes
As at 1 January 2016	29
Increase	–
Decrease	–
As at 31 December 2016	29
As at 1 January 2015	29
Increase	–
Decrease	–
As at 31 December 2015	29

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgment and settlement amounts, thus they may differ from the current provision.

### 19 OTHER LIABILITIES

	As at 31 December 2016	As at 31 December 2015
Salary and welfare payable	2,078	1,748
Commission and brokerage payable	1,713	1,547
Taxes payable other than income tax	237	164
Security deposits by agent for holding the Company's documents	275	243
Unrealized output value added tax	166	–
Investment clearing account (Note 13(1))	100	–
Repayment payable for non-insurance contracts	92	67
Insurance security fund payable	55	50
Unallocated receipts	49	43
Purchase payment for Heilongjiang branch's building (Note13(3))	37	37
Investment fund received from New China Health in advance	–	783
Others	1,097	1,161
Total	5,899	5,843
Current	5,587	5,563
Non-current	312	280
Total	5,899	5,843

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 20 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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:**

	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:**

	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.



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 20 TAXATION (Continued)

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

	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)

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 20 TAXATION (Continued)

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

	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:

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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 21 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2016	As at 31 December 2015
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,120

### 22 RESERVES

	Share premium (a)	Other reserve	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2015	23,964	–	2,132	2,102	2,102	30,300
Other comprehensive income	–	–	1,530	–	–	1,530
Appropriation to reserves	–	–	–	853	853	1,706
As at 31 December 2015	23,964	–	3,662	2,955	2,955	33,536
Other comprehensive income	–	–	(2,741)	–	–	(2,741)
Effect of the introduction of strategic investors to New China Health	–	–	–	(10)	(10)	(20)
Others	–	(45)	–	–	–	(45)
Appropriation to reserve	–	–	–	458	458	916
As at 31 December 2016	23,964	(45)	921	3,403	3,403	31,646

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 22 RESERVES (Continued)

### (a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

### (b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

#### (i) Statutory surplus reserve

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital upon approval.

The Company appropriated RMB458 million for the year ended 31 December 2016 to the statutory surplus reserve (for the year ended 31 December 2015: RMB853 million).

#### (ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company did not transfer any amount to the DSR in 2016 (for the year ended 31 December 2015: Nil).

### (c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2016, the Company appropriated 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2015: 10%).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	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

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 24 INVESTMENT INCOME

	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
<b>Total</b>	<b>32,134</b>	<b>45,069</b>
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
<b>Total</b>	<b>32,134</b>	<b>45,069</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 25 OTHER INCOME

	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
<b>Total</b>	<b>1,027</b>	<b>1,494</b>

### 26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2016	2015
<b>Gross</b>		
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
<b>Total</b>	<b>109,563</b>	<b>119,350</b>
<b>Recovered from reinsurers</b>		
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)
<b>Total</b>	<b>(669)</b>	<b>(631)</b>
<b>Net</b>		
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
<b>Total</b>	<b>108,894</b>	<b>118,719</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 27 ADMINISTRATIVE EXPENSES

	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
<b>Total</b>	<b>13,081</b>	<b>12,655</b>

(1) Employee benefit expenses are presented below:

	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
<b>Total</b>	<b>9,721</b>	<b>8,520</b>



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 28 OTHER EXPENSES

	For the year ended 31 December	
	2016	2015
Tax and surcharges	168	985
Depreciation and amortization	82	71
Reversal of provision for receivable from Tianhuan Real Estate (Note 3(6))	(16)	–
Reversal of provision for prepayment for Taizhou and Yongzhou cases (Note 13(5))	–	(3)
Others	194	377
<b>Total</b>	<b>428</b>	<b>1,430</b>

### 29 FINANCE COSTS

	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
<b>Total</b>	<b>1,454</b>	<b>1,857</b>

### 30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 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.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 31 EARNINGS PER SHARE

#### (1) Basic

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

	For the year ended 31 December	
	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).

### 32 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.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) Related parties

The table below summarizes the significant related parties of the Company in 2016:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China")	Subsidiary of the Company
New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
New China Asset management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Beijing Century Haoran Power Technology Development Co., Ltd. ("Haoran Power")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
New China Pension Co., Ltd. ("New China Pension")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
Huarong No.1 Funding Plan	Subsidiary of the Company
New China-Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
Lujiazui trust – zhongwei thermoelectricity perpetual bond	Subsidiary of the Company
Lujiazui trust – zhongwei new energy perpetual bond	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
New China Capital International	Associate of the Company
China Jinmao	Associate of the Company
Weiyuanzhou	Associate of the Company
New China Health	Joint venture of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended	
	31 December	
	2016	2015
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	30	17
– Cash dividends received from MJ Health (ii)	1	–
– Cash dividends from New China Capital International (ii)	13	–
– Cash dividends received from China Jinmao (ii)	71	–
– Health check and service fee paid to New China Health (iii)	20	Not applicable
– Rent earned from New China Health (iv)	10	Not applicable
– Additional capital contribution to China Jinmao	95	–
– Additional capital contribution to Weiyuanzhou (Note 9(2))	192	–
Transactions between the Company and its subsidiaries		
– Investment management fee to New China Asset Management (v)	466	399
– Investment management fee to Asset Management Company (Hong Kong) (v)	55	26
– Rent earned from New China Asset Management (iv)	9	5
– Rent earned from New China Health (iv)	Not applicable	7
– Rent earned from Xinhua Seniors Service (iv)	7	7
– Rent earned from New China Pension (iv)	1	–
– Rent paid to Haoran Power (vi)	31	–
– Additional capital contribution to Hainan Seniors (Note 36(3)(iv))	329	309
– Additional capital contribution to Haoran Power	–	480
– Health check and service fee charged to New China Health (iii)	Not applicable	12
– Xi'an Clinic and Wuhan Clinic as additional capital contribution to New China Health	Not applicable	7
– IT service fee charged to Electronic Commerce (vii)	11	6
– Conference and training fees charged to Health Technology (viii)	6	12
– Additional capital contribution to Xinhua Seniors Service (Note 36(3)(ii))	102	–
– Additional capital contribution to New China Pension (Note 36(3)(v))	495	–

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Transactions with significant related parties (Continued)

#### (i) *Bond interest from Huijin*

Huijin became a shareholder of the Company in 2009 and directly held 31.34% of the Company's shares as at 31 December 2016. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010 and 2015, the Company purchased bonds issued by Huijin at a par value of RMB300 million and RMB500 million from the inter-bank market respectively. As at 31 December 2016, the carrying value of these bonds was RMB800 million (as at 31 December 2015: RMB799 million). The recognized bond interest for the year ended 31 December 2016 was RMB30 million (for the year ended 31 December 2015: RMB17 million).

#### (ii) *Cash dividends received*

In 2016, the Company received cash dividends amounted to RMB13 million, RMB1 million and RMB71 million respectively from New China Capital International, MJ Health and China Jinmao (for the year ended 31 December 2015: Nil).

#### (iii) *Health service fee paid to New China Health*

The Company entered into a contract with New China Health. According to the contract, the Company purchased health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB20 million of expenses were incurred in 2016 (for the year ended 31 December 2015: RMB12 million).

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Transactions with significant related parties (Continued)

#### (iv) Office rental contracts

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Asset Management as its office. The annual rental was approximately RMB9 million (for the year ended 31 December 2015: RMB5 million).

The Company leases part of the office building located in International City Unit AB at Wuhan, part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, and part of the office building located in European City at Nanjing to New China Health. The annual rentals were about RMB10 million (for the year ended 31 December 2015: RMB7 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Xinhua Seniors Service as its office. The annual rental was approximately RMB7 million (for the year ended 31 December 2015: RMB7 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rental was approximately RMB1 million (for the year ended 31 December 2015: Nil).

#### (v) Investment management service agreement

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investments in 2016. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to New China Asset Management. The Company has the right to deduct fees based on the performance of New China Asset Management or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2016. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (2) Transactions with significant related parties (Continued)

##### *(vi) Rent paid to Haoran Power*

The Company entered into a lease contract with Haoran Power in 2016. According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Haoran Power. The annual rent expense was RMB31 million (for the year ended 31 December 2015: Nil).

##### *(vii) IT service fee paid to Electronic Commerce*

The Company signed an agreement on channel cooperation with Electronic Commerce in 2016. According to the agreement, Electronic Commerce would provide support on website operation and online service, expansion and marketing on channel of cooperation. Approximately RMB11 million of expenses were incurred in 2016 (for the year ended 31 December 2015: RMB6 million).

##### *(viii) Conference and training fees charged to Health Technology*

The Company paid for conference and training service fees to Health Technology. Approximately RMB6 million of expenses were incurred in 2016 (for the year ended 31 December 2015: RMB12 million).

The investment management fee to New China Asset Management and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee to New China Health is calculated based on market value. All other transactions are calculated based on the negotiated price between transaction parties.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (3) Related party balances

	As at 31 December 2016	As at 31 December 2015
Balances of related party transactions		
Interest receivable		
Huijin	9	9
Other receivables		
New China Health	8	Not applicable
Other payables		
New China Health	2	Not applicable
	As at 31 December 2016	As at 31 December 2015
Receivables from subsidiaries		
Hefei Supporting Operation	236	207
Xinhua Seniors Service	348	43
Hainan Seniors	48	–
Health Technology	17	17
New China Pension	495	–
New China Health	Not applicable	5
<b>Total</b>	<b>1,144</b>	<b>272</b>
Payables to subsidiaries		
New China Asset Management	132	108
Asset Management Company (Hong Kong)	15	–
New China Health	Not applicable	1
<b>Total</b>	<b>147</b>	<b>109</b>

No provisions were held against receivables from related parties as at 31 December 2016.

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.



# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2016	2015
Payroll and welfare	39	53

### (5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance related and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and has applied IAS 24 (amendment) exemption and disclosed only qualitative information.

As at 31 December 2016, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2016, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 34 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

### 35 COMMITMENTS

#### (1) Capital commitments

The Group had capital commitments for the purchase of property plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2016	As at 31 December 2015
Contracted, but not provided for	1,541	2,250
Authorized, but not contracted for	43	522
<b>Total</b>	<b>1,584</b>	<b>2,772</b>

#### (2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	406	489
Between 1 and 5 years (including 5 years)	484	958
More than 5 years	49	68
<b>Total</b>	<b>939</b>	<b>1,515</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 35 COMMITMENTS (Continued)

#### (3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	165	95
Between 1 and 5 years (including 5 years)	265	101
More than 5 years	8	–
<b>Total</b>	<b>438</b>	<b>196</b>

#### (4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 31 December 2016, a total amount of RMB2,007 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2015: RMB2,240 million).

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

#### Statement of Financial Position

	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
Property, plant and equipment	36(1)	5,054	5,531
Investment properties	7	3,395	2,177
Intangible assets	36(2)	1,595	1,647
Investments in subsidiaries	36(3)	29,349	23,931
Investments in associates and joint ventures	36(4)	4,303	3,600
Debt financial assets		411,517	328,034
– Held-to-maturity	10(1)	195,126	177,502
– Available-for-sale	36(5a)	178,754	116,460
– At fair value through profit or loss	36(5b)	3,402	3,363
– Loans and receivables	36(5c)	34,235	30,709
Equity financial assets		107,429	110,108
– Available-for-sale	36(5a)	99,090	99,847
– At fair value through profit or loss	36(5b)	8,339	10,261
Term deposits	36(5d)	79,245	127,208
Statutory deposits	36(5e)	715	715
Policy loans		23,831	20,879
Financial assets purchased under agreements to resell		2,214	91
Accrued investment income	36(5f)	9,646	9,798
Premiums receivable	11	1,846	1,525
Deferred tax assets	36(8)	290	–
Reinsurance assets	12	2,693	3,360
Other assets	36(6)	2,508	8,324
Cash and cash equivalents		12,732	12,432
<b>Total assets</b>		<b>698,362</b>	<b>659,360</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### Statement of Financial Position (Continued)

	Notes	31 December 2016	31 December 2015
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contracts			
Long-term insurance contract liabilities	14	541,424	522,799
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	640	559
– Unearned premiums liabilities	14	1,164	1,083
Investment contracts	15	30,071	27,166
Borrowings	16	14,000	19,000
Financial assets sold under agreements to repurchase	17	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	18	29	29
Other liabilities	36(7)	5,606	4,638
Current tax liabilities		1,271	982
Deferred tax liabilities	36(8)	–	853
<b>Total liabilities</b>		<b>639,658</b>	<b>601,467</b>
<b>Shareholders' equity</b>			
Share capital		3,120	3,120
Reserves	36(9)	31,623	33,523
Retained earnings		23,961	21,250
<b>Total equity</b>		<b>58,704</b>	<b>57,893</b>
<b>Total liabilities and equity</b>		<b>698,362</b>	<b>659,360</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

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

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2016	3,957	1,025	175	1,511	6,668
Additions	38	124	–	956	1,118
Transfers upon completion	1,027	3	–	(1,030)	–
Transfer from investment properties	96	–	–	–	96
Transfer to investment properties	(553)	–	–	(861)	(1,414)
Transfer to intangible assets	–	–	–	(68)	(68)
Disposals	–	(80)	(2)	–	(82)
As at 31 December 2016	4,565	1,072	173	508	6,318
<b>Accumulated depreciation</b>					
As at 1 January 2016	(448)	(620)	(69)	–	(1,137)
Charges for the year	(95)	(119)	(13)	–	(227)
Transfer from investment properties	(18)	–	–	–	(18)
Transfer to investment properties	41	–	–	–	41
Disposals	–	75	2	–	77
As at 31 December 2016	(520)	(664)	(80)	–	(1,264)
<b>Net book value</b>					
As at 1 January 2016	3,509	405	106	1,511	5,531
As at 31 December 2016	4,045	408	93	508	5,054

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>					
As at 1 January 2015	3,534	948	178	1,134	5,794
Additions	8	141	8	1,633	1,790
Transfers upon completion	598	6	–	(604)	–
Transfer from investment properties	30	–	–	–	30
Transfer to investment properties	(212)	–	–	(387)	(599)
Disposals	(1)	(70)	(11)	–	(82)
Other	–	–	–	(265)	(265)
As at 31 December 2015	3,957	1,025	175	1,511	6,668
<b>Accumulated depreciation</b>					
As at 1 January 2015	(372)	(571)	(61)	–	(1,004)
Charges for the year	(85)	(115)	(14)	–	(214)
Transfer from investment properties	(5)	–	–	–	(5)
Transfer to investment properties	14	–	–	–	14
Disposals	–	66	6	–	72
As at 31 December 2015	(448)	(620)	(69)	–	(1,137)
<b>Net book value</b>					
As at 1 January 2015	3,162	377	117	1,134	4,790
As at 31 December 2015	3,509	405	106	1,511	5,531

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (2) Intangible assets

	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2016	651	1,393	2,044
Additions	17	–	17
Transfers upon completion	68	–	68
As at 31 December 2016	736	1,393	2,129
<b>Accumulated amortization</b>			
As at 1 January 2016	(316)	(81)	(397)
Amortization	(102)	(35)	(137)
As at 31 December 2016	(418)	(116)	(534)
<b>Net book value</b>			
As at 1 January 2016	335	1,312	1,647
As at 31 December 2016	318	1,277	1,595

	Computer software	Land use rights	Total
<b>Cost</b>			
As at 1 January 2015	411	1,393	1,804
Additions	240	–	240
As at 31 December 2015	651	1,393	2,044
<b>Accumulated amortization</b>			
As at 1 January 2015	(245)	(46)	(291)
Amortization	(71)	(35)	(106)
As at 31 December 2015	(316)	(81)	(397)
<b>Net book value</b>			
As at 1 January 2015	166	1,347	1,513
As at 31 December 2015	335	1,312	1,647

#### (3) Investments in subsidiaries

	As at 31 December 2016	As at 31 December 2015
Unlisted investments at cost	29,349	23,931



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (3) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries as at 31 December 2016 are as follows:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
New China Asset Management	Beijing, China	Asset management	RMB500 million	99.40%
Yunnan New China (i)	Kunming, China	Insurance agency	RMB5 million	100%
Health Technology	Beijing, China	Real estate property development and training	RMB632 million	100%
Xinhua Seniors Service (ii)	Beijing, China	Service	RMB664 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Electronic Commerce	Beijing, China	Electronic commerce	RMB100 million	100%
Hefei Supporting Operation (iii)	Hefei, China	Real estate property investment and management	RMB500 million	100%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.64%
Hainan Seniors (iv)	Qionghai, China	Real estate	RMB1,908 million	100%
Haoran Power	Beijing, China	Technological development	RMB500 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate property investment and management	RMB10 million	100%
New China Pension (v)	Beijing, China	Insurance service	RMB500 million	99.99%
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Huarong No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Project investment	RMB170 million	94.12%
Lujiazui trust – zhongwei thermoelectricity perpetual bond	Not applicable	Project investment	RMB1 billion	99.99%
Lujiazui trust – zhongwei new energy perpetual bond	Not applicable	Project investment	RMB1 billion	99.99%

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

### (3) Investments in subsidiaries (Continued)

- (i) The fifteenth meeting of the Executive Committee of the Board of Directors of the Company in 2015 approved the "Reporting on the Dissolution of Yunnan New China Insurance Agency Co., Ltd." As at the date approved for issue by the Board of Directors, Yunnan New China has not yet completed cancellation.
- (ii) On 19 April 2016, the Company contributed the increased capital of RMB102 million. Upon the capital contribution, the registered capital of Xinhua Seniors Service changed to RMB664 million. On 3 August 2016, the company name of Xinhua Seniors Service was changed from Xinhua Village Seniors Business Management (Beijing) Co., Ltd. to Xinhua Village Seniors Service (Beijing) Co., Ltd. The sixth meeting of the sixth session of the Board of Directors considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service changed to RMB964 million. As at 31 December 2016, the Company has completed the cash contribution, and the Company's actual contribution was RMB964 million. Xinhua Seniors Service has not registered the change yet.
- (iii) On 29 April 2016, the registered legal representative of Hefei Supporting Operation was changed to Cong Linou. On 20 December 2016, the Company's seventh meeting of the sixth board of directors approved the proposal of "Increasing the registered capital of subsidiaries of Hefei Supporting Operation – related party transactions", which decided to increase the registered capital of Hefei support center from RMB500 million to RMB3,200 million. As at 31 December 2016, the Company's actual contribution was RMB8 million.
- (iv) On 26 March 2014, the seventeenth meeting of the fifth session of the Board of Directors of the Company approved to increase the registered capital of Hainan Seniors from RMB760 million to RMB1,908 million. According to the new articles of Hainan Seniors, the Company shall contribute the capital in cash no later than 29 April 2018. The Company injected RMB84 million and RMB329 million in 2015 and 2016 respectively. As at 31 December 2016, the actual amount of capital contribution of Hainan Seniors paid by the Company was RMB1,173 million.
- (v) New China Pension obtained the approval for its operation from the CIRC on 26 August 2016 and completed the company registration on 19 September 2016. New China Pension's registered capital is RMB500 million, in which the Company and New China Asset Management held 99% and 1% of interest respectively. On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company considered and approved the increased capital contribution to New China Pension. As at 31 December 2016, the Company has contributed the increased capital of RMB495 million and New China Asset Management has contributed the increased capital of RMB5 million to New China Pension. The total capital contribution was RMB990 million from the Company and RMB10 million from New China Asset Management. New China Pension has not registered the change yet.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. There are no significant restrictions on all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of certain subsidiaries represent the best effort by management of the Company in translating their Chinese names as they do not have official English names.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

### (3) Investments in subsidiaries (Continued)

#### *Disposal of subsidiaries*

The Company lost control on New China Health and New China Health's subsidiaries in 2016. The date of losing control was 1 January 2016. Therefore New China Health and its subsidiaries were out of the consolidation scope since 1 January 2016. Please refer to note 9 (3) for more details.

<b>Name of the entity</b>	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Group's interest</b>
New China Health	Beijing, China	Investment management and management consulting	100%
New China Life Health Xian Clinic Co., Ltd.	Xi'an, China	Health management	100%
New China Life Excellent Health Wuhan Clinic Co., Ltd.	Wuhan, China	Health management	100%
New China Life Excellent (Yantai) Health Management Co., Ltd.	Yantai, China	Health management	100%
New China Life Excellent Qingdao Clinic Co., Ltd.	Qingdao, China	Health management	100%
New China Life Excellent Baoji Clinic Co., Ltd.	Baoji, China	Health management	100%
New China Life Excellent Chongqing Clinic Co., Ltd.	Chongqing, China	Health management	100%
New China Life Excellent (Changsha) Health Management Co., Ltd.	Changsha, China	Health management	100%
Chengdu Jinjiang New China Life Excellent Clinic Co., Ltd.	Chengdu, China	Health management	100%
Zhengzhou New China Life Excellent Health Management Co., Ltd.	Zhengzhou, China	Health management	100%
Hefei Shushan New China Life Excellent Clinic Co., Ltd.	Hefei, China	Health management	100%
Hohhot New China Life Excellent Clinic Co., Ltd.	Hohhot, China	Health management	100%
New China Life Excellent Clinic (Jinan) Co., Ltd.	Jinan, China	Health management	100%
Nanjing New China Life Excellent Clinic Co., Ltd.	Nanjing, China	Health management	100%
Tangshan New China Life Excellent Clinic Co., Ltd.	Tangshan, China	Health management	100%
Changde New China Life Excellent Clinic Co., Ltd.	Changde, China	Health management	100%
Hangzhou New China Life Excellent Clinic Co., Ltd.	Hangzhou, China	Health management	100%
New China Life Excellent Health Technology (Beijing) Co., Ltd.	Beijing, China	Health management	100%
New China Health Management Human Resources (Jiangsu) Co., Ltd.	Nanjing, China	Human resource management	100%

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

### (3) Investments in subsidiaries (Continued)

#### Disposal of subsidiaries (Continued)

Consolidated financial information of New China Health is as follows:

	Book value as at 31 December 2015
Current assets	967
Non-current assets	200
Current liabilities	(883)
Equity attributable to the Company	284
Non-controlling interests	–
Fair value of the residual interest held by the Company	765
Gains on the disposal	481
Consideration of the disposal	–
	<b>2015</b>
Revenues	190
Costs	158
Net loss	(101)

### (4) Investments in associates

	For the year ended 31 December	
	2016	2015
Beginning of the year	3,600	10,150
Additions	287	2,822
Difference of cost of purchasing associates and the portion of fair value of net identifiable asset	45	–
Disposals (Note 9)	–	(9,070)
Effect of the introduction of strategic investors to New China Health	549	–
Share of profit	105	516
Cash dividend from investments in associates	(72)	(818)
Share of other comprehensive income	(148)	–
Share of other reserves	(63)	–
End of the year	4,303	3,600

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (5) Financial assets

##### (a) Available-for-sale financial assets

	As at 31 December 2016	As at 31 December 2015
Debt financial assets		
Government bonds	300	40
Financial bonds	3,523	3,387
Corporate bonds	28,917	31,841
Subordinated bonds	12,565	14,241
Trust products	62,481	49,871
Wealth investment products	70,888	17,000
Asset management products	80	80
Subtotal	178,754	116,460
Equity financial assets		
Funds	39,017	42,224
Stocks	27,642	31,820
Preferred stock	1,256	913
Asset management products	13,769	10,552
Private equity	2,728	996
Equity investment plans	3,650	3,200
Other unlisted equity investments	11,028	10,142
Subtotal	99,090	99,847
Total	277,844	216,307
Debt financial assets		
Listed	5,980	7,356
Unlisted	172,774	109,104
Subtotal	178,754	116,460
Equity financial assets		
Listed	33,803	37,613
Unlisted	65,287	62,234
Subtotal	99,090	99,847
Total	277,844	216,307

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (5) Financial assets (Continued)

##### (a) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

Maturity	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	80,353	23,471
After 1 year but within 3 years (including 3 years)	37,586	22,509
After 3 years but within 5 years (including 5 years)	34,402	35,796
After 5 years	26,413	34,684
Total	178,754	116,460

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (5) Financial assets (Continued)

##### (b) Financial assets at fair value through profit or loss

	As at 31 December 2016	As at 31 December 2015
Held for trading		
Debt financial assets		
Government bonds	214	–
Financial bonds	19	–
Corporate bonds	168	341
Subordinated bonds	413	434
Debt financial assets subtotal	814	775
Equity financial assets		
Funds	7,907	9,629
Stocks	432	496
Equity financial assets subtotal	8,339	10,125
Subtotal	9,153	10,900
Designated as at fair value through profit or loss		
Equity financial assets		
Preferred stock	–	136
Equity financial assets subtotal	–	136
Debt financial assets		
Asset management products	2,588	2,588
Debt financial assets subtotal	2,588	2,588
Subtotal	2,588	2,724
Total	11,741	13,624
Debt financial assets		
Listed	315	180
Unlisted	3,087	3,183
Subtotal	3,402	3,363
Equity financial assets		
Listed	913	894
Unlisted	7,426	9,367
Subtotal	8,339	10,261
Total	11,741	13,624

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (5) Financial assets (Continued)

##### (c) Loans and receivables

	As at 31 December 2016	As at 31 December 2015
Debt investment plan	32,835	29,299
Subordinated debt	1,400	1,410
Total	34,235	30,709

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

##### (d) Term deposits

Maturity	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	44,836	66,463
After 1 year but within 3 years (including 3 years)	8,909	50,045
After 3 years but within 5 years (including 5 years)	19,000	10,700
More than 5 years	6,500	–
Total	79,245	127,208

##### (e) Statutory deposits

Maturity	As at 31 December 2016	As at 31 December 2015
Within 1 year (including 1 year)	195	715
After 1 year but within 3 years (including 3 years)	520	–
Total	715	715

According to the relevant regulations issued by the CIRC, statutory deposits can only be used by insurance companies and insurance agencies to discharge debt upon liquidation.



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (5) Financial assets (Continued)

##### (f) Accrued investment income

	As at 31 December 2016	As at 31 December 2015
Bank deposits	2,625	4,672
Debt financial assets	6,166	4,295
Other	855	831
Total	9,646	9,798
Current	9,645	9,523
Non-current	1	275
Total	9,646	9,798

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (6) Other assets

	As at 31 December 2016		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 13(1))	294	–	294
Receivable from Off-balance Sheet			
Repurchase Transactions (Note 3(6))	915	(915)	–
Prepaid and deferred expenses	590	–	590
Prepaid taxes (Note 13(2))	162	–	162
Receivables from subsidiaries (Note 33(3))	1,144	–	1,144
Prepayment for Heilongjiang branch's office building (Note 13(3))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	14	(14)	–
Receivable from Huaxinrong Company (Note 13(6))	12	(12)	–
Litigation deposit (Note 13(7))	4	–	4
Others	318	(4)	314
<b>Total</b>	<b>3,506</b>	<b>(998)</b>	<b>2,508</b>

	As at 31 December 2015		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 13(1))	5,964	–	5,964
Receivable from Off-balance Sheet			
Repurchase Transactions (Note 3(6))	931	(931)	–
Prepaid taxes (Note 13(2))	637	–	637
Prepaid and deferred expenses	573	–	573
Receivables from subsidiaries (Note 33(3))	272	–	272
Prepayment for Heilongjiang branch's office building (Note 13(3))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	14	(14)	–
Receivable from Huaxinrong Company (Note 13(6))	12	(12)	–
Litigation deposit (Note 13(7))	5	–	5
Others	878	(5)	873
<b>Total</b>	<b>9,339</b>	<b>(1,015)</b>	<b>8,324</b>

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (6) Other assets (Continued)

	As at 31 December 2016	As at 31 December 2015
Current	2,264	8,060
Non-current	244	264
Total	2,508	8,324

#### (7) Other liabilities

	As at 31 December 2016	As at 31 December 2015
Salary and welfare payable	1,781	1,457
Commission and brokerage payable	1,713	1,547
Taxes payable other than income tax	220	151
Security deposits by agent for holding the Company's documents	275	243
Unrealized output value added tax	166	-
Investment clearing account (Note 13(1))	100	-
Repayment payable for non-insurance contracts	92	67
Insurance security fund payable	55	50
Unallocated receipts	49	43
Purchase payment for Heilongjiang branch's building (Note 13(3))	37	37
Others	1,118	1,043
Total	5,606	4,638
Current	5,294	4,358
Non-current	312	280
Total	5,606	4,638

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (8) Taxation

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

	Financial assets	Insurance liabilities and others	Total
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	94	118	212
Charged to other comprehensive income	2,734	(1,818)	916
Charged to other reserve	–	15	15
As at 31 December 2016	(1,047)	1,337	290

	As at 31 December 2016	As at 31 December 2015
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	1,129	2,896
– deferred tax assets to be recovered after 12 months	496	157
Subtotal	1,625	3,053
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	(831)	(3,588)
– deferred tax liabilities to be settled after 12 months	(504)	(318)
Subtotal	(1,335)	(3,906)
Total net deferred tax assets	290	–
Total net deferred tax liabilities	–	(853)

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

#### (9) Reserves

	Share premium	Other reserve	Unrealized income/ (losses)	Surplus reserve	Reserve for general risk	Total
As at 1 January 2015	23,962	–	2,128	2,102	2,102	30,294
Other comprehensive income	–	–	1,523	–	–	1,523
Appropriation to reserves	–	–	–	853	853	1,706
As at 31 December 2015	23,962	–	3,651	2,955	2,955	33,523
Other comprehensive income	–	–	(2,751)	–	–	(2,751)
Effect of the introduction of strategic investors to New China Health	–	–	–	(10)	(10)	(20)
Others	–	(45)	–	–	–	(45)
Appropriation to reserve	–	–	–	458	458	916
As at 31 December 2016	23,962	(45)	900	3,403	3,403	31,623

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

#### (1) Directors' emoluments

The directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation which are linked to the performance of the Group and each of the individual directors.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2016 are as follows: (in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Feng Wan (i)	-	4,917	-	-	-	-	4,917
Zongjian Li (i)	-	522	-	-	-	-	522
Xiangdong Liu (i)	-	-	-	-	-	-	-
Yuanling Chen (i)	-	-	-	-	-	-	-
Kunzong Wu (i)	-	-	-	-	-	-	-
Aimin Hu (i)	-	-	-	-	-	-	-
John Robert Dacey (i)	-	-	-	-	-	-	-
Xianglu Li (i)	252	-	-	-	-	-	252
Wei Zheng (i)	252	-	-	-	-	-	252
Chung Mark Fong (i)	266	-	-	-	-	-	266
Lie Cheng (i)	109	-	-	-	-	-	109
Anthony Francis Neoh (i)	81	-	-	-	-	-	81
Dian Kang (i)	-	1,236	-	-	-	-	1,236
Haiying Zhao (i)	-	-	-	-	-	-	-
Xingguo Meng (i)	-	-	-	-	-	-	-
Xianping Chen (i)	53	-	-	-	-	-	53
Yuzhong Wang (i)	53	-	-	-	-	-	53
Hongxin Zhang (i)	53	-	-	-	-	-	53
Hua Zhao (i)	64	-	-	-	-	-	64
Guozheng Zhang (i) (iii)	-	-	-	-	-	-	-
Robert David Campbell (i) (ii)	182	-	-	-	-	-	182

During the year, no director waived or has agreed to waive any emoluments.

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (1) Directors' emoluments (Continued)

- (i) The Company held the first extraordinary general meeting of 2016 on 4 March 2016. Feng Wan, Zonjian Li, Xiangdong Liu, Yuanling Chen, Kunzong Wu, Aimin Hu, John Robert Dacey, Guozheng Zhang, Xianglu Li, Anthony Francis Neoh, Wei Zheng, Robert David Campbell and Chung Mark Fong were elected or re-elected as directors of the sixth session of the Board of Directors. Dian Kang, Haiying Zhao, Xingguo Meng, Xianping Chen, Yuzhong Wang, Hongxin Zhang, and Hua Zhao, as directors of the fifth session of the Board of Directors, ceased to be directors of the Company.
- (ii) Resigned on 25 August 2016.
- (iii) Resigned on 15 March 2017.

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2015 are as follows:  
(in RMB thousands)

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Dian Kang	-	4,942	1,980	-	-	-	6,922
Feng Wan	-	4,591	656	-	-	-	5,247
Haiying Zhao	-	-	-	-	-	-	-
Xingguo Meng	-	-	-	-	-	-	-
Xiangdong Liu	-	-	-	-	-	-	-
John Huan Zhao (i)	-	-	-	-	-	-	-
Robert David Campbell	300	-	-	-	-	-	300
Xianping Chen	250	-	-	-	-	-	250
Yuzhong Wang	250	-	-	-	-	-	250
Hongxin Zhang	250	-	-	-	-	-	250
Hua Zhao	300	-	-	-	-	-	300
Chung Mark Fong	250	-	-	-	-	-	250
Zongkun Wu	-	-	-	-	-	-	-
Lefei Liu (ii)	-	-	-	-	-	-	-
John Robert Dacey	-	-	-	-	-	-	-

During the year, no director waived or has agreed to waive any emoluments.

- (i) Resigned on 23 March 2015.
- (ii) Resigned on 20 July 2015.

## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

#### (2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2016 are as follows: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang (i)	-	-	-	-	-	-
Zhiyong Liu (i)	-	-	-	-	-	-
Zhongzhu Wang (i)	942	546	-	-	-	1,488
Tao Bi (i)	602	275	-	-	-	877
Bo Ai (ii)	-	-	-	-	-	-
Xiaojun Chen (i)	-	-	-	-	-	-
Hongbo Lv (i)	-	-	-	-	-	-
Yiyong Liu (i)	84	-	-	-	-	84
Tao Zhu (i)	192	230	-	-	-	422
Jing Yang (i)	236	93	-	-	-	329
Chi Fai Desmond Lin (ii)	-	-	-	-	-	-

(i) The Company held the first extraordinary general meeting of 2016 on 4 March 2016. Chengran Wang, Zhiyong Liu, Zhongzhu Wang, and Tao Bi were elected or re-elected as supervisors of the sixth session of the Board of Supervisors. Bo Ai, Xiaojun Chen, Hongbo Lv, Yiyong Liu, Tao Zhu and Jing Yang, as supervisors of the fifth session of the Board of Supervisors, ceased to be supervisors of the Company on the date when the sixth session of the Board of Supervisors was formed.

(ii) Resigned on 31 July 2016.



## Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

### 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

#### (2) Supervisors' emoluments (Continued)

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2015 are as follows: (in RMB thousands)

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	-	-	-	-	-	-
Bo Ai	-	-	-	-	-	-
Xiaojun Chen	-	-	-	-	-	-
Hongbo Lv	-	-	-	-	-	-
Yiyang Liu	1,475	432	-	-	-	1,907
Tao Zhu	706	706	-	-	-	1,412
Jing Yang	640	343	-	-	-	983

#### (3) Five highest paid individuals

For the year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group include 0 (for the year ended 31 December 2015: 1) director whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 5 (for the year ended 31 December 2015: 4) highest paid individuals are as follows:

	For the year ended 31 December	
	2016	2015
Salaries, allowances and benefits in kind	17,686	16,307
Bonuses	15,990	16,917
Pension scheme contributions	1,825	-
<b>Total (in RMB thousands)</b>	<b>35,501</b>	<b>33,224</b>

# Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2016 (All amounts in RMB millions unless otherwise stated)

## 37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

### (3) Five highest paid individuals (Continued)

The emoluments of the five members of senior management fell within the following bands:

	As at 31 December	
	2016	2015
HK\$6,000,001 – HK\$6,500,000	2	–
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$8,000,001 – HK\$9,000,000	1	1
HK\$9,000,001 – HK\$10,000,000	1	2
HK\$10,000,001 – HK\$11,000,000	1	–
HK\$14,000,001 – HK\$15,000,000	–	1

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 38 EVENTS AFTER THE REPORTING PERIOD

### (1) Dividend

Pursuant to a resolution passed at the meeting of the Board of Directors 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.

### (2) Issuance of debt financing instruments

The Company's ninth meeting of the sixth session of the Board held on 24 February 2017 considered and approved the Proposal on the Plan of Issuing Debt Financing Instruments, agreeing to issue the debt financing instrument with a total amount of no more than RMB15 billion in domestic market and a total amount of no more than USD2 billion or the equivalent amount in foreign currency in overseas market. The issue matters of debt financing instruments are pending approval at the annual general meeting and by the regulatory authorities.

## 39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 29 March 2017.

The logo for New China Life Insurance Co., Ltd. features the number '95567' in a stylized, bold, green font. The '9' is particularly large and has a small green leaf-like shape at its top left. The numbers '5', '5', '6', and '7' are also large and bold, following the same green color scheme.

全国统一客服电话

[www.newchinalife.com](http://www.newchinalife.com)

**New China Life Insurance Co., Ltd.**

New China Insurance Tower,  
No. Jia 12 Jianguomenwai Street  
Chaoyang District,  
Beijing 100022

**Tel:** +86 10 85210000  
**Fax:** +86 10 85210101  
[www.newchinalife.com](http://www.newchinalife.com)