新華人壽保險股份有限公司
NEW CHINA LIFE INSURANCE COMPANY LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code：1336)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

A LETTER TO SHAREHOLDERS FROM THE CHAIRMAN

Dear Shareholders,

Following the coldest winter in the past three decades, the spring has come to Beijing as expected. With such a beautiful spring, it suddenly occurred to me that Beijing would have been indeed adorable if there was no smog or traffic jam. Reviewing the year 2012, I would still like to use the phrase of last year – treading as if on thin ice.

I would like to start this letter with the just past chilly winter.

I. REVIEW OF 2012

In late 2012, a famous TV station reported a story titled The Insurer's Wealth Management Traps, which involved a product sold by NCI in 2007 via bancassurance channel that was accused of misleading sales practice. While this happened during our 2013 annual work planning conference, I told the team that there was no need to complain or feel upset. The solution is to face the media and our customers directly. As the core principle of NCI's strategic transformation is to be "customer-centric", we must understand our customers' needs, improve their experiences, and provide them with more attentive products and services. "To forge iron, a hard hammer is a must". What we need to immediately reflect on is to find if we could have improved our products, agency force or other aspects in any possible way. It is the only way that we can establish a healthy, trustworthy relationship with our customers so that we can have a more respectable corporate image in the society.

Media supervision is only one of the many sources of the pressure we face. We launched our transformation in 2012 to achieve our "customer-centric" strategy following the completion of our A+H Share Initial Public Offering ("IPO") at the end of 2011 with enhanced capital position and solvency. However, the whole industry was facing many challenges arising from the uncertain macro-economy, which were amplified by the internal difficulties NCI had to overcome for the transformation. For our Company, the year 2012 was full of not only puzzles of and reflections for the transformation but also the forward-looking ambitions and visions.

1. **Key operation indicators**

   - As of the end of 2012, the Company's total assets reached RMB493.693 billion, with equity attributable to shareholders of the Company being RMB35.870 billion.

   - The net profit attributable to shareholders of the Company for 2012 was RMB2.933 billion.

   - As of the end of 2012, solvency margin ratio of the Company increased to 192.56%.

   - In 2012, our Company maintained the overall positive growth of our insurance business. The gross written premiums (GWP) reached RMB97.719 billion, increased by 3.1% year on year; we achieved a market share of 9.8%, and our No.3 position in market was solidified.

   - The net investment yield for 2012 was 4.7%, representing a significant increase from that in previous years, i.e. 4.1% for 2011 and 3.8% for 2010.

2. **Key transformation efforts**

   On the basis of the comprehensive analyses of our Company's management and business, we conducted specific researches, evaluation, design and experimental trials for our transformation in more than ten aspects, primarily including:

   - Optimizing product portfolios and increasing new business margin

     The first was improving the product planning system, absorbing domestic and foreign experience, reassessing and building a new product strategy and developing a whole set of product management system covering product development, promotion and innovation processes.

     The second was enhancing the restructuring by launching a series of products with high new business margin. For the agent channel, more sales efforts were put into the protection-type products such as health insurance, accident insurance, term and whole life insurance as well as long premium payable period products. The health insurance business in 2012 increased by 1.1 percentage points to 6.6%. The overall business structure of the Company continued to optimize while the overall new business margin increased by 2.2 percentage points up to 12.4%.

   - Exploring customer operation and ushering in business model transformation

     The Company launched a special pilot program to study how to explore high-end customers and how to enhance our agency force, especially those high performing ones. While maintaining a stable total number of agents, we had 29,000 high performing agents at the end of 2012, increased by 16.7% compared with 2011.

We have redesigned our training manuals and consulted renowned professors of China for advice. The training ranges from the Company's strategic vision and transformation road map to our business management practice as well as product system, and the courses, which cover both our back-office and agency force, worked on changing the management's working mode by synergizing the theories with the practices.

Some of our institutions at the coastal areas have achieved encouraging results in exploring new marketing modes. They improved the customer stability and both the agents' performance and income through promoting a more entrepreneurial operations and organizing various interesting customer-experience events.

In addition, we also introduced a series of new bancassurance sales models in bancassurance channel. On the basis of the joint management by both banks and the insurers, we provided comprehensive support to bolster the independent sales of banking staff by way of regulation, training, meeting management, proposal support, supervision and tracking. This may help NCI, a sector pioneer which entered the bancassurance business earlier than most peers, reinforce our vanguard image for innovation and transformation.

- Improving investment management

  After several years of endeavor, our investment team has significantly improved their overall capability in research and management. We adopted a prudent investment strategy to stablize the overall return on the Company's assets. Meanwhile, we had actively applied for and obtained the investment licenses for equity, real estate and overseas investments. The further diversification of the investment channels will help NCI continue to improve its investment yield and diversify investment risks.

- Stably expanding the businesses

  In 2012, we set up Xinhua Seniors to build the fundamental framework for our senior care business. Meanwhile, Xi'an Clinic and Wuhan Clinic have officially commenced operation with the management system and organization structure being generally accomplished, and profitability periods and targets being clearly defined.

3. Key challenges and weaknesses

We are unfolding our transformation amid drastic fluidity of the external environment, which has begun to result in certain problems. The most obvious one was the decline of GWP: we shifted to the products with higher new business margins, but the significant increase of new business margins could not offset the much shrinking size of available new business value resulted from its premium decrease. Meanwhile, the income drop of some agents also adversely affected the stability of our agency force. I believe that four key reasons led to this situation:

Firstly, agency force needs time to adapt to new conditions. We produced and distributed a large number of training materials in texts or videos to introduce and explain our strategic concepts to all levels of agents and have hosted many comprehensive training sessions to the management and agents from front- and back-offices. I personally attended dozens of such training sessions given to our management and high-end agents, and explained to them specifically the Company's transformation strategy. Even the most junior agents understand well that NCI is implementing the transformation, which is keenly and enthusiastically recognized by them. However, they need time to learn how to transform, and how fast should such transformation be, as well as how to sell high new-business-margin products to the right customers.

At a workshop hosted by one of our branches, a fellow colleague who has stayed with our team for over ten years once commented: *"I have been working for NCI for over ten years, and I indeed feel the urgency to implement transformation; otherwise we would not survive the next decade. After the Company proposed the transformation, we've been making explorations, but we indeed have to confront many challenges, such as where we can find new customers, how to find them, and what we should do and learn. We have too many puzzles."*

Secondly, the supplementary and supportive policies and measures for our undergoing transformation still lack due collaboration and coordination.

Thirdly, the existing business structure also imposes pressure on transformation.

As we all know, bancassurance has been maintaining a key position in NCI's business, but the business in this channel suffered from a significant fall in 2012 across the life insurance industry. The negative impact was felt more by NCI. The agency channel contributed 44% to our premiums in the year of 2012, increased by 6.2 percentage points compared to last year, which was not only due to an optimized business structure but also to the major decline of premiums in bancassurance channel. As the premium increase from the agents channel failed to offset the decline in bancassurance channel, the overall decline in the premium income from our new policies may seem disappointing in some analysts' eyes.

Fourthly, the middle- and back-office support systems remain relatively underdeveloped for NCI. It was NCI's policy of allocating more resources to the front-line work and the attractive sales incentives at the early stage that made great contributions to NCI's growth into the third largest life insurer in China. However, it is the way of Heaven to diminish superabundance, and to supplement deficiency. Things have changed as time goes by. The business growth of the Company and the industry maturity have certainly led to higher requirements for the middle- and back-office support services. In this regard, we must take actions to avoid compromising sustainable growth in the future. Thus, NCI last year also established the new System Project Management Office besides the aforementioned efforts in products research & development ("R&D") and operation management. This new office is responsible for the upgrade of the core systems. Compared with the leading peers, we need time to address some legacy problems properly, which we expect would not be solved in one go.

Besides, we were somewhat weak in professionally coordinating the front-, middle- and back-office management. For example, our human and financial resources failed to stay close enough to the market; the internal decision-making process is protracted; our responses to the market changes were slow; our management efficiency was less than satisfactory. When the whole industry's growth slows down, the adverse effect caused by these constraints was amplified to impede our business growth.

II. CHALLENGES IN 2013

When a senior executive from the Life Insurance Marketing and Research Association (LIMRA) of the United States of America visited NCI, I asked him about the global challenges faced by the life insurance industry. In his view, key challenges include what the regulatory changes will be and how to increase agency productivity, with both of which I completely agree. I believe that NCI will at least face the following four external challenges in 2013:

1. Hypercompetition among life insurers in the high-yield, saving-substitute products

Traditional insurance products earn profits from the "three margins". Customers, insurers, channels and agency force constitute the value chain, sharing the value created by the insurers. High yields and high agency expenditures will surely force the insurers to allocate more profits to customers, channels and agency force. In the current weak markets, many peers prefer to promote such products for market share and cash flows. However, the adverse impacts of such hypercompetition on the value chain of the life insurance industry should not be neglected. The promised high-yields to customers may delay the life insurers' cash flow problem while they can only bet on high investment returns to be realized in future; this may multiply the investment risks.

Despite the significant improvements in profitability and new business margin, thanks to the transformation in 2012, NCI still underperforms other listed life insurers in terms of those indicators – we have few chips to win such hypercompetition; One man's candy may be another's poison; how to accurately position ourselves in the current circumstances will deeply test our management capability.

2. Changes to the competitive landscape of bancassurance business

As of the end of 2012, the GWP of the insurers controlled by some state-owned banks grew by around 50%, with their market shares up by 1.2 percentage points. Meanwhile, the bancassurance business contributed 25% less GWP on average to the top life insurers. It is reasonable to conclude that, given NCI's traditional reliance on bancassurance business to a large extent, the Company will face serious challenges.

3. Continuous attention by the regulators and media to misleading sales practices

Regulators and media have become more committed to protecting the interests of consumers in recent years. Their ongoing concern and monitoring will undoubtedly help improve the image of insurers and create a favorable market environment in a long run. However, it indeed puts substantial pressure on the sales and after-sales management of life insurers in the short term.

4. Pressure on cash flow and loss of customer due to maturities and surrenders

The domestic life insurance market has been favoring the scale growth and focusing more on short-term products in the past years. In particular, recently sold regular premiums products via bancassurance channel were dominated by those with maturity of 3 or 5 years. When the new policies cannot maintain a high growth, the renewal premiums will be greatly impacted. NCI is facing a challenging situation: the renewal premiums may continue dropping in the next one or two years without effective countermeasures.

Meanwhile, we observed that the number of new customers for the entire industry has been dropping on a continual basis due to maturities and surrenders, while the customer retention became increasingly difficult. The life insurance industry undoubtedly needs to explore a new model for customer exploration, service and value creation.

III. COUNTERMEASURES

Implementing the "customer-centric" strategy is the only choice for NCI in future.

I once asked Mr. Peter Walker, the Senior Director of McKinsey & Company and also a veteran fan of Lao Tzu, on what areas the global life insurance companies are focused. With the experience of over 40 years in insurance consulting, he replied that the life insurance companies globally are trying to design more sophisticated products and committed to building the corresponding R&D and pricing capabilities in order to meet the complicated insurance needs of the better segmented markets thus obtaining competitive edge and profitability.

This indeed is consistent with our "customer-centric" strategy.

At the annual working conference for 2013, I proposed almost ten tasks that must be started by relevant divisions to boost the implementation of the "customer-centric" strategy during the year: such tasks involve the constructions of the customer service system, the core "customer-centric" supportive policy system, the institutional system, the sales team, the training system, the product system, the operation system and the information system.

For NCI, all these transformation efforts put high requirements on the professional and detailed operation of all relevant divisions and stakeholders.

In 2013, we will strive to steer all our organizational behaviors towards the customers and markets, simplify the decision-making procedures, respond to market changes faster, optimize the resource allocation efficiency, better motivate the front-line agents, and develop internal policies to clearly define responsibility, right and interest, hence finally improving the professionalism of all links of the value chain to deliver higher value to customers. Winning customers means winning the world. No matter what challenges we face, be it the high-yield products competition, the uncertain bancassurance business changes, or the pressure imposed by the regulators, media and loss of customers, as long as we win customers, those challenges may only present opportunities for NCI to outperform in the hypercompetition.

IV. TRANSFORMATION AND INNOVATION

In his book *The World Economy: a Millennial Perspective*, Angus Madison attributed the innovation in technologies/institutions to one of the three factors driving the world's economic development in the history of human society.

This rule is also true for the life insurance industry. I had repeatedly said in our internal addresses that it is a must to change the business model for life insurance operation. Just like that the hordes traditionally following the traces of water had to shift towards the farming culture, I personally believe that this is also the rule of the economic development, which is actually consistent with Madison's view. After the earlier exponential growth of the life insurance in China, it seems that we have no new markets to explore. The competitive edge and bargaining power previously existed in the value chain of cooperation is gradually disappearing. We will have to seek innovation in both technology and institution. NCI's strategy has three pillars, seeking transformation and innovation is one of them.[1]

- **Transformation**

According to the *McKinsey Quarterly Performance Transformation Survey* covering 2,261 samples[2], the transformation efforts of 72% of the ambitious enterprises globally finally failed. McKinsey's another survey[3] has identified the key reasons to such transformation failure: the employee resistance, the management behaviors unable to support the intended changes, as well as resources, budgets and others accounted for 39%, 33% and 28% respectively. We can see that human factors are absolutely critical.

In 2012, NCI's transformation encountered challenges. Many people, including employees and external professionals, were unsure or worried about our transformation, and many suggested me to abandon or slow down the process by citing various case studies and theories.

In my view, our transformation has solid theoretical and practical basis, but what we need more is confidence and passion. David Hume once said: "reason is, and ought only to be, the slave of passions". For a company, if the management has no passion to face the market and the competition, no courage to face difficulties and challenges, no determination to reduce redundancy and reposition the misallocated "cheese", no ability to deal with the complicated interests, how can they establish a healthy, feasible and ambitious strategic goal to unite and incentivize employees? How can they convince investors that our transformation is for a race amongst the brave and the confident and we are their best choice to create outstanding value?

Surely, we should assess the risks and design the paths to realize our goals. In accordance with Hume, we should use rationality as instruments to contain overconfident passion, and to analyze and decide what the achievable goals should be, such as how to identify shortage and improve certain core competencies, how to stimulate the engagement of employees at all levels with the transformation, how to measure and how to track for further correction. Only the ongoing optimization of all these details can ensure the success of our transformation efforts.

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1. The first is to maintain the stable growth of the existing businesses, the second is to continuously seek transformation and innovations, and the third is returning to the essence of the insurance
2. McKinsey Quarterly Performance Transformation Survey, July 2008; McKinsey Quarterly Performance Transformation Survey, January 2010
3. Management Literature Review

I told our team at an internal meeting that we were facing a high mountain and we had two easy options: either to watch others blazing a trail so we can follow, or to find a longer and smooth path to get around the mountain. But my strategy is to climb up the mountain without hesitation, now. We have thoroughly studied and evaluated NCI's strategy, and we realised that we have not many alternative options. The hypercompetitive markets, rising demands from our customers, and the evolving financial landscape, altogether require us to take immediate action to face the markets and customers in a new way if we want to win the competition in the future.

- **Innovation**

Nowadays, the diary of a life insurance agent may read: morning meeting at 8:30 a.m., meeting a customer in a tea house at 9:30a.m., meeting another customer in a coffee bar at noon, delivering a policy to a customer in afternoon, and so on. However, during the past two decades, the internet has engulfed the whole world, penetrating deep into every corner. I can even imagine that those agents born in 1990s will adopt a completely different way to do their business in future: they can enjoy the most professional training via mobile network devices without leaving home, liaise with potential customers within their internet-based social network, or even introduce products to customers via voices and videos chats without face-to-face meeting. All consulting, transactions and payments can be a simple keyboard maneuvering on computers or mobile phones. However, there also is an opinion that life insurance is different from property insurance: life policies can only be "sold" while their property counterparts can be "bought". Thus, it is true that the business model of the life insurance will always depend on the social relationships, and there has been no evidence that the online sales of life insurance can achieve great success so far according to international experience. In the new age, how these new channels can productively generate a series of lively, in-coming policies might be subtle, if not totally unimaginable.

In my view, all business models will change along with their customers. The life insurance industry in North America is of no exception as it is also facing the challenges of aging agents and the consequently widening gap with their new generation consumers. As the young generation who grew up with the internet comes to marry and bear children, their insurance demand will soon be awaken. These higher-educated, younger consumers may have stronger insurance awareness. Following the "customer-centric" strategy, we have to adapt to their consumption preferences and even seek changes ahead of time before new trends emerge.

First of all, we need to develop the ability of product innovation based on customer needs, which implies innovation at two levels. The first level requires understanding of differentiated insurance needs of customers through the customer insights, which can only be obtained with a whole new philosophy. In light of more convenient access for data collection and processing, thanks to the internet era, NCI is considering its input in this area. The second level entails designing of completely new products and services based on the above-said differentiated customer needs.

Secondly, we need to develop the ability of marketing innovation based on customer preferences, i.e. how to provide the aforementioned products/services to customers. A series of new marketing approaches have been introduced to the insurance industry to sell insurance products by some peers. As a new entrant in this area, NCI will try to explore multi-media and multi-channel marketing through cooperation with some professional internet marketing firms and platforms in the future.

Thirdly, we need to develop the ability of integrating technical innovation among front-, middle- and back-offices. The aforementioned ability of innovation in product, service and marketing will be made possible only when all of our offices form a united, mutually supportive coalition.

Deeply rooted in NCI, innovation is a component of our core enterprise culture. In 2013, my team and I will continue to strive on innovation exploration and leverage on new technology and information to deliver an impressive result slip standing various tests, ranging from increasing the efficiency of the existing business model and improving customer experience, to entering the new segmented markets and winning new customers. I also hope that our input in innovation can be better supported and understood by our shareholders.

V. PROSPECTS

The year 2013 is still full of uncertainties. Discussing how the life insurance industry shall be affected by the state's monetary policy, the US fiscal situation, the EU's debt problems and regional or state conflicts does not help much to our Company's specific transformation implementation. The accurate forecast of our business requires thorough understanding about and confidence in the key variants. However, in his speech Pretense of Knowledge in 1974, Hayek lamented: "We can in fact ascertain only some but not all the particular circumstances which determine the outcome of a given process; and in consequence we are able to predict only some but not all the properties of the result we have to expect".

I cannot leave our shareholders' hope to chance. Rather, I would like to say that my extensive rural life experience has given me an unforgettable revelation: no harvest is possible without drops of sweat, furrows of ploughing and, surely, the blessing of nature. Hence I would continue to request myself and my team to work just like a diligent cultivator.

I would rather not mention some optimistic cliches to our shareholders only saying that the dawn always comes after the night or the spring will surely arrive after the winter. For any company, without the correct strategy and measures, the nights and winters could be endless. My confidence is firmly based on the capability of NCI's management and the entire team. My optimism comes from NCI's correct strategy and the whole team's powerful execution capability. Since NCI was established 17 years ago, it has attracted many of the most talented professionals in China's life insurance industry. They hold the key for NCI's future and they are the foundation and pillars for the success of NCI's transformation.

Amongst all peers, NCI is young. Though I am becoming older, the poem by the ancient poet Wang Guowei still inspires me very much: "All seasons are full of loveliness but spring has the most/one who enjoys an ardent dedication can be young forever". My whole team and I will continue to improve management, promote reform, transform with rationality, endeavor with passion, so as to bring NCI into a bright, broad and scenic landscape in the new era.

Wish you a fine spring.

KANG Dian

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

For the 12 months ended 31 December	**2012**	2011
Gross written premiums and policy fees	**98,081**	95,151
Total investment income[(1)]	**13,539**	12,677
Net profit for the year attributable to shareholders of the Company	**2,933**	2,799
Value of one year's new business	**4,172**	4,360
Market share[(2)]	**9.8%**	9.9%
Persistency ratio		
Individual life insurance business 13-month persistency ratio[(3)]	**89.84%**	91.45%
Individual life insurance business 25-month persistency ratio[(4)]	**88.50%**	88.33%

As of 31 December	**2012**	2011
Total assets	**493,693**	386,771
Net assets	**35,878**	31,313
Investment assets[(5)]	**478, 481**	373,958
Equity attributable to shareholders of the Company	**35,870**	31,306
Embedded value	**56,870**	48,991
Amount of customers (in thousands)	**27,766**	27,111
of which: individual customers	**27,707**	27,052
of which: institutional customers	**59**	59

Notes:

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

2. Market share: represents the data published by the China Insurance Regulatory Commission.

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

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

5. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

II. BUSINESS ANALYSIS

(I) Life insurance business

In 2012, the global economy witnessed a slow recovery. Though at the gentle pace, the domestic economy has gradually stabilized, and the economic and social developments have made progress steadily. Amidst the slowdown in economic growth and tightening regulations, the life insurance industry continued its transformation in 2011, with the balanced development of both value and scale becoming the new direction of development in the life insurance industry.

In 2012, on the premises of sustaining the steady growth of its business, the Company actively fostered strategic transformation and thoroughly adopted the balanced development approach with “value” as its essence, thereby putting forward the transformation from various aspects such as general direction, business development and comprehensive management. Firstly, the operation direction of balanced development of both value and scale has been determined; secondly, the optimization of the business structures for all channels was fostered and greater efforts were also put to promote high value products and long-term products to enhance new business margin; thirdly, the Company has generally consolidated its value management foundation and enhanced the comprehensive management by the continuous improvement in budget management mode, performance and management administration system as well as back office operational efficiency.

According to the data published by the CIRC, in terms of gross premium income (after adjustments made in accordance with Interpretation No. 2), the Company recorded a gross premium income of RMB97,719 million in 2012 with a market share of 9.8%, ranking the third in the PRC life insurance market. Meanwhile, the Company continued to improve its term structure, upgrade its product design and boost the sales of high value products and long-term products, thereby optimizing its business structure.

Following the commencement of operation of the main shared service center in 2011, the Company’s Xi’an branch shared service center also duly commenced operation in 2012, hence formulating the preliminary deployment of main and branch centers, accomplishing the transformation of concentrated operation mode, and improving the operation efficiency, quality, standardization and the support to the Company’s business. At the same time, the Company proactively promoted various new operation technologies such as E-Bao, devoted great efforts on the projects and activities such as “the 12th Customer Day”, deepened its claim settlement brand, protected customer’s rights and interests, and commenced leaning projects for its operation flows by fully introducing Lean Six Sigma methodology for operation flows, while continuously promoted the optimization of its operation flows and enhanced service quality as well as customers’ experiences. As of 31 December 2012, the life insurance customers of the Company are comprised of approximately 27,707 thousand individual customers and approximately 59 thousand institutional customers.

1. Analysis by distribution channels

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
Individual life insurance	**96,253**	93,495
Of which:		
Individual insurance agent channel	**42,993**	35,871
First year premiums	**10,131**	9,758
Regular premiums	**8,948**	8,878
Single premiums	**1,183**	880
Renewal premiums	**32,862**	26,113
Bancassurance channel	**52,163**	56,692
First year premiums	**21,569**	30,985
Regular premiums	**5,074**	7,562
Single premiums	**16,495**	23,423
Renewal premiums	**30,594**	25,707
Wealth management channel	**1,097**	932
First year premiums	**635**	818
Regular premiums	**375**	457
Single premiums	**260**	361
Renewal premiums	**462**	114
Group insurance	**1,466**	1,302
Total	**97,719**	94,797

(1) Individual life insurance business

① Individual insurance agent channel

In 2012, the Company focused on the transformation of its individual insurance agent channel business. On one hand, the Company edged up its efforts on the sales of long-term products as well as protection-type products such as health insurance and whole life insurance and enhanced its business mix, driving the growth of channel new business margin; on the other hand, the Company reinforced the fundamental construction of its agent force by maintaining the stability of its scale and emphasizing the improvement in the quality of newly recruited personnel. Meanwhile, the Company continued to strengthen and optimize its high performance honoring system with enhancements on various performance indicators. As of the end of 2012, the number of the Company's individual insurance agents remained stable at 204,000, including approximately 29,000 high performing agents, representing an increase of 16.7% as compared to the end of last year[(1)].

The GWP contributed by individual insurance agent channel to the Company was RMB42,993 million in 2012, increased by 19.9% as compared to the last year. Included in such income were first year premiums of RMB10,131 million, representing an increase of 3.8% as compared to the last year. The first year premiums contributed by such regular premium products with premium payment periods of twenty years or above reached RMB4,592 million, representing an increase of 1.3% as compared to the last year. Renewal premiums amounted to RMB32,862 million, representing an increase of 25.8% as compared to the last year. In 2012, the new policy business explored by the renewal team continued to maintain rapid growth with first year premiums of RMB1,776 million, representing a growth of 31.5% as compared to the last year.

② Bancassurance channel

In 2012, with respect to the bancassurance channel, the Company firmly upheld the principle concepts of "value enhancement, efficiency facilitation, pursuit of reform and risk prevention" under the sustained bancassurance market downturn, and has been actively undergoing structural adjustments to

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

enhance value and fostering the sales of long-term regular premium products and high value products on one hand, while strengthening its principles of operation in compliance and co-operating with mainstream channels such as Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank Corporation in areas such as product promotion, joint marketing and professional training on the other hand, thus enhancing its comprehensive competitiveness.

The GWP contributed by the bancassurance channel to the Company was RMB52,163 million in 2012, decreased by 8.0% as compared to the last year, among which, the first year premiums amounted to RMB21,569 million, representing a decrease of 30.4% from the last year. The first year premiums contributed by regular premium products with premium payment periods of five years or above increased to 90% from 72% in 2011, indicating that the structural adjustment has progressed. Renewal premiums amounted to RMB30,594 million, representing a growth of 19.0% from the last year.

③ Wealth management channel

The GWP contributed by the wealth management channel to the Company was RMB1,097 million in 2012, increased by 17.7% from the last year, among which, renewal premiums amounted to RMB462 million, representing a growth of 305.3% as compared to the last year.

(2) *Group insurance business*

In 2012, the GWP generated by the group insurance business amounted to RMB1,466 million, representing an increase of 12.6% as compared to the last year.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	**2012**	2011
GWP	**97,719**	94,797
Traditional insurance	**848**	704
Participating insurance	**89,318**	87,940
Universal insurance	**37**	32
Unit-linked insurance	**–**[(1)]	–[(1)]
Health insurance	**6,491**	5,255
Accident insurance	**1,025**	866

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

In 2012, the Company realized life insurance GWP of RMB97,719 million, representing an increase of 3.1% as compared to the last year, among which, the premiums generated by participating insurance business amounted to RMB89,318 million, representing an increase of 1.6% as compared to the last year and accounting for 91.4% of the overall GWP. The GWP generated by health insurance was RMB6,491 million, representing an increase of 23.5% as compared to last year, among which, first year premiums were RMB2,281 million, representing an increase of 32.9% as compared to the last year and significantly outperforming the overall premium growth. The proportion of GWP generated from health insurance to overall GWP increased from 5.5% in 2011 to 6.6%, demonstrating the Company's strategy on driving value enhancement through product transformation. The GWP generated by other types of life insurance amounted to RMB1,910 million in aggregate, accounting for 2.0% of the overall GWP.

3. *Analysis by geographic regions*

Unit: RMB in millions

For the 12 months ended 31 December	**2012**	2011
GWP	**97,719**	94,797
Beijing	**9,775**	9,719
Guangdong	**8,263**	8,177
Henan	**7,110**	7,110
Shandong	**6,845**	6,315
Shanghai	**6,073**	6,617
Hubei	**5,489**	5,503
Sichuan	**5,304**	5,327
Jiangsu	**4,216**	4,571
Hunan	**4,160**	4,197
Shaanxi	**3,585**	3,223
Sub-total	**60,820**	60,759
Other regions	**36,899**	34,038
Total	**97,719**	94,797

In 2012, approximately 62.2% of the GWP of the Company were contributed by the regions of the PRC with relatively developed economy or dense population, such as Beijing, Guangdong, Henan, Shandong, Shanghai, Hubei, Sichuan, Jiangsu, Hunan and Shaanxi, etc.

(II) Asset management business

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

In 2012, based on the characteristics of liabilities of insurance business and fluctuation cycles of capital markets, the Company proactively broadened its investment channels, improved its allocation for investment portfolio, properly increased the proportion of fixed-income assets in order to enhance net investment yield and maintain stable and sustainable investment returns. In 2012, the Company was granted licenses on overseas investment as well as equity and real estate investment by CIRC and was also granted overseas investment quota of USD500 million by the State Administration of Foreign Exchange of PRC. Hence, the investment channels of the Company have been greatly expanded, while the overseas investment as well as equity and real estate investment business have experienced proactive and steady progress.

As to the equity investment, the overall income from equity investments under the income statement had shown a relatively significant decline due to the sustained downturn of domestic capital market in 2012. The Company recorded RMB5,281 million in impairment losses on financial assets.

1. Investment portfolio

Unit: RMB in millions

As of 31 December	**2012**	2011
Investment assets(1)	**478,481**	373,958
Classified by investment type		
Term deposits(2)	**171,853**	122,949
Debt securities	**234,130**	190,464
Equity securities(3)	**32,085**	29,051
–Funds	**15,869**	12,077
–Stocks	**16,216**	16,974
Cash and cash equivalents(2)	**25,066**	21,095
Other investment assets(4)	**15,347**	10,399
Classified by investment purpose		
Financial assets at fair value through income	**4,755**	5,529
Available-for-sale financial assets	**84,335**	72,876
Held-to-maturity securities	**176,817**	141,090
Loans and receivables(5)	**212,574**	154,463

Notes:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

2. Cash and cash equivalents include term deposits with maturity of 3 months or less, while term deposits exclude those with maturity of 3 months or less.

3. Equity securities exclude investments in associates.

4. Other investment assets include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

5. Loans and receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables, etc. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

As of the end of the reporting period, the Company had investment assets of RMB478,481 million, increased by 28.0% as compared to the end of last year. Such increase was mainly attributable to the cash inflows from the insurance business.

As of the end of the reporting period, term deposits accounted for 35.9% of the investment assets, representing an increase of 3.0 percentage points as compared to the end of last year, which was mainly due to the increased allocation of negotiated term deposits, especially those with maturity of 5 years or above.

As of the end of the reporting period, debt securities accounted for 48.9% of the investment assets, representing a decrease of 2.0 percentage points as compared to the end of last year, mainly due to the decrease of the proportion of financial bonds.

As of the end of the reporting period, equity securities accounted for 6.7% of the investment assets, representing a decrease of 1.1 percentage points as compared to the end of last year. Such decrease was mainly due to the control of equity assets positions as the Company adjusted its assets allocation strategies based on the prevailing market developments.

As of the end of the reporting period, cash and cash equivalents accounted for 5.2% of the investment assets, representing a decrease of 0.4 percentage point as compared to the end of last year. Such decrease was mainly attributable to the requirements for investment assets allocation and liquidity management.

As of the end of the reporting period, other investment assets accounted for 3.2% of the investment assets, representing an increase of 0.4 percentage point as compared to the end of last year. Such increase was mainly due to the increase in interest receivable and policy loans.

In terms of investment purposes, as of the end of the reporting period, investment assets of the Company is mainly comprised of loans and receivables and held-to-maturity securities. Investments in loans and other receivables increased by 37.6% as compared to the end of last year, mainly due to the increase in term deposits as well as cash and cash equivalents.

2. Investment income

Unit: RMB in millions

For the 12 months ended 31 December	2012	2011
Interest income from cash and cash equivalents	**101**	110
Interest income from term deposits	**8,455**	4,842
Interest income from debt securities	**9,929**	7,639
Dividend income from equity securities	**1,111**	938
Interest income from other investment assets(1)	**278**	130
Net investment income(2)	**19,874**	13,659
Realized gains/(losses)	**(1,559)**	1,150
Unrealized gains/(losses)	**505**	(1,228)
Impairment losses on financial assets	**(5,281)**	(904)
Total investment income(3)	**13,539**	12,677
Net investment yield	**4.7%**	4.1%
Total investment yield	**3.2%**	3.8%

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

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

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

3. Total investment income = net investment income + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets.

The Company achieved total investment income of RMB13,539 million during the reporting period, representing an increase of 6.8% as compared to the last year; the total investment yield was 3.2%, representing a decrease of 0.6 percentage point as compared to the last year.

The Company achieved net investment income of RMB19,874 million, representing an increase of 45.5% as compared to the last year; the net investment yield was 4.7%, representing an increase of 0.6 percentage point as compared to the last year. Such increase was mainly attributable to the significant increase in interest income from term deposits and debt securities.

Total realized and unrealized gains and losses, and impairment losses on financial assets amounted to a loss of RMB6,335 million, primarily driven by the continued decline in the fair value of equity securities assets held by the Company caused by the sustained downturn of the domestic capital market in 2012. According to the accounting policies adopted by the Company, impairment losses on financial assets of RMB5,281 million were recorded.

3. External equity securities

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial investment costs (RMB in millions)	Number of securities held (in millions)	Carrying amount at the end of the period (RMB in millions)	As a percentage of total investments in securities at the end of the period	Profits/losses during the reporting period (RMB in millions)
1	Convertible bonds	110020	Nan Shan CB	169.25	1.69	178.61	6.21%	1.49
2	Stock	000568	Luzhou Laojiao	202.84	4.90	173.53	6.03%	7.33
3	Stock	600999	China Merchants Securities	144.72	15.20	160.40	5.57%	-0.02
4	Stock	601628	China Life Insurance	129.94	6.91	147.96	5.14%	-1.39
5	Stock	002146	Rise Sun Development	80.51	8.15	114.04	3.96%	6.93
6	Stock	601088	China Shenhua	114.05	4.46	113.17	3.93%	2.41
7	Stock	601669	Sinohydro	117.14	29.00	110.78	3.85%	-2.22
8	Stock	002024	Suning Appliance	161.01	15.30	101.75	3.54%	-8.42
9	Stock	600028	Sinopec	96.21	14.15	97.92	3.40%	1.69
10	Stock	600153	C&D	89.14	11.46	80.53	2.80%	2.90
Investments in other securities held at the end of the period				1,666.58	/	1,599.06	55.57%	116.40
Profits/losses of investments in securities sold during the reporting period				/	/	/	/	-350.99
Total				**2,971.38**	**/**	**2,877.74**	**100%**	**127.10**

Notes:

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

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

3. Profits/losses for the reporting period are comprised of the realized investment gains/losses as well as the unrealized gains/losses.

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment costs (RMB in millions)	As a percentage of equity interests in that company (%)	Carrying amount at the end of the period (RMB in millions)	Profits/losses for the reporting period (RMB in millions)	Changes in owners' equity during the reporting period (RMB in millions)	Accounting Classification	Source of securities
03328	Bank of Communication	921.47	0.27%	955.42	1.73	27.90	Available-for-sale	Purchase
601601	CPIC	561.67	0.25%	508.50	-112.23	211.25	Available-for-sale	Purchase
601111	Air China	678.02	0.52%	410.27	-443.45	425.60	Available-for-sale	Purchase
601318	Ping An	432.14	0.11%	391.41	-138.68	363.82	Available-for-sale	Purchase
600690	Qingdao Haier	355.15	1.01%	363.50	-43.20	169.07	Available-for-sale	Purchase
601006	Daqin Railway	359.83	0.32%	318.58	15.17	-20.98	Available-for-sale	Purchase
000039	CMIC	469.86	0.97%	298.71	-177.17	167.32	Available-for-sale	Purchase
601299	China CNR	364.53	0.61%	282.49	-125.24	155.61	Available-for-sale	Purchase
601989	CSIC	381.35	0.39%	271.85	2.65	-33.13	Available-for-sale	Purchase
002024	Suning Appliance	536.87	0.54%	263.29	-297.92	229.47	Available-for-sale	Purchase
Investments in other securities held at the end of the period		11,610.80	/	9,451.56	-3,404.31	3,453.66	/	/
Total		**16,671.69**	**/**	**13,515.59**	**-4,722.65**	**5,149.57**	**/**	**/**

Notes:

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

(3) Shareholding in unlisted financial enterprises

During the reporting period, the Company did not hold any shares of 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	2,100.76	18,374.98	/
Sale	1,817.67	/	-1,585.02

III. PRINCIPAL CONTENTS AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Analysis of principal components of consolidated statement of financial position

1. *Principal assets*

Unit: RMB in millions

Component	**31 December 2012**	31 December 2011
Debt securities	**234,130**	190,464
– Held-to-maturity	**176,817**	141,090
– Available-for-sale	**55,624**	46,866
– At fair value through income	**1,381**	2,488
– Loans and receivables	**308**	20
Equity securities	**32,085**	29,051
– Available-for-sale	**28,711**	26,010
– At fair value through income	**3,374**	3,041
Term deposits	**171,853**	122,949
Statutory deposits	**717**	522
Policy loans	**3,866**	2,055
Financial assets purchased under agreements to resell	**–**	79
Accrued investment income[1]	**10,764**	7,743
Investment properties	**1,635**	451
Intangible assets	**102**	65
Deferred tax assets	**863**	14
Cash and cash equivalents	**25,066**	21,095
Other assets not included in the above assets[1]	**12,612**	12,283
Total	**493,693**	386,771

Note:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

Debt securities

As of the end of the reporting period, debt securities increased by 22.9% as compared to the end of 2011, primarily due to the expanding in scale of held-to-maturity securities.

Equity securities

As of the end of the reporting period, equity securities increased by 10.4% as compared to the end of 2011, primarily due to the growth of total investment assets and the control of equity securities positions based on the judgement of the capital market.

Term deposits

As of the end of the reporting period, term deposits increased by 39.8% as compared to the end of 2011, primarily due to the increased allocation on the negotiated deposits, especially those with maturity of 5 years or above.

Statutory deposits

As of the end of the reporting period, statutory deposits increased by RMB195 million as compared to the end of 2011, primarily due to the increase in share capital of the Company to RMB3,120 million after its listing. According to the relevant regulatory requirements, the Company correspondingly increased its statutory deposits by RMB195 million during the reporting period.

Policy loans

As of the end of the reporting period, policy loans increased by 88.1% as compared to the end of 2011, primarily due to an increase in demand for policy loans.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell were nil, while the amount at the end of 2011 was RMB79 million. The change was primarily due to the requirements for liquidity management.

Accrued investment income

As of the end of the reporting period, accrued investment income increased by 39.0% as compared to the end of 2011, primarily due to the growth of total interest-earning investment assets.

Investment properties

As of the end of the reporting period, investment properties increased by 262.5% as compared to the end of 2011, primarily due to the partial transfer of "7th office building at Shanghai Port International Cruise Terminal and ancillary commercial project" from the construction-in-progress to investment properties.

Intangible assets

As of the end of the reporting period, intangible assets increased by 56.9% as compared to the end of 2011, primarily due to the increase in software development services purchase expense.

Deferred tax assets

As of the end of the reporting period, deferred tax assets increased by 6,064.3% or RMB849 million as compared to the end of 2011, which was primarily because that the Company determined during the reporting period, that there would be sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future, and therefore the Company recognized deferred income tax assets of RMB846 million during the reporting period.

Cash and cash equivalents

As of the end of the reporting period, cash and cash equivalents increased by 18.8% as compared to the end of 2011, primarily due to the requirements for investment assets allocation and daily liquidity management.

2. *Principal liabilities*

Unit: RMB in millions

Component	**31 December 2012**	31 December 2011
Insurance contracts	**362,272**	293,814
Long-term insurance contracts liabilities	**361,070**	292,818
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	**452**	392
– Unearned premiums liabilities	**750**	604
Investment contracts	**18,988**	19,001
Borrowings(1)	**15,000**	5,000
Financial assets sold under agreements to repurchase	**55,437**	32,481
Benefits, claims and surrenders payable	**789**	499
Current income tax liabilities	**62**	192
Other liabilities not included in the above liabilities(1)	**5,267**	4,471
Total	**457,815**	355,458

Note:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

Insurance contracts liabilities

As of the end of the reporting period, insurance contracts liabilities increased by 23.3% as compared to the end of 2011, primarily due to the growth of insurance business and the accumulation of insurance obligations. As of the balance sheet date, liabilities for all insurance contracts of the Company had passed adequacy tests.

Borrowings

As of the end of the reporting period, borrowings increased by RMB10 billion as compared to the end of 2011, primarily due to the issuance of RMB10 billion subordinated term debts by the Company in 2012, which was a 10-year debt with a fixed coupon rate of 4.6%. The Company has the right to redeem the debt in whole or in part at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the annual coupon rate for the rest of the five interest-bearing years will be 6.6%.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase increased by 70.7% as compared to the end of 2011, primarily due to the requirements for investment assets allocation and liquidity management.

Insurance benefits and claims payable

As of the end of the reporting period, insurance benefits and claims payable increased by 58.1% as compared to the end of 2011, primarily due to the increase in maturities.

Current income tax liabilities

As of the end of the reporting period, current income tax liabilities for the period decreased by 67.7% as compared to the end of 2011, primarily due to the decrease in current income tax for the year of 2012 as compared to the year of 2011.

3. Shareholders' equity

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB35,870 million, representing an increase of 14.6% as compared to the end of 2011, primarily due to the business growth of the Company.

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

1. Revenues

Unit: RMB in millions

Component	2012	2011
Gross written premiums and policy fees	**98,081**	95,151
Less: premiums ceded out	**5**	584
Net written premiums and policy fees	**98,086**	95,735
Net change in unearned premiums liabilities	**(135)**	(71)
Net premiums earned and policy fees	**97,951**	95,664
Investment income	**13,559**	12,754
Other income	**189**	192
Total	**111,699**	108,610

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees increased by 3.1% as compared to the same period of last year. The slow-down of growth was primarily due to the adverse impact of industry-wide bancassurance business adjustment, leading to the decrease in the Company's first year premiums generated by bancassurance channel. However, the increase in the renewal premiums brought about by the Company's optimization of its business mix helped offset the aforementioned decline to a certain extent.

Premiums ceded out

During the reporting period, premiums ceded out decreased by 99.1% as compared to the same period of last year and still remained negative, primarily due to the decrease in surrenders from certain reinsurance business which resulted in a corresponding decrease in policy surrenders recovered from reinsurers, thus reducing premiums (negative) ceded out.

Net change in unearned premiums liabilities

During the reporting period, net change in unearned premiums liabilities increased by 90.1% as compared to the same period of last year, primarily due to the growth in scale in premiums for short-term health insurance and accident insurance as well as the increase in the net change in unearned premiums liabilities.

Investment income

During the reporting period, investment income increased by 6.3% as compared to the same period of last year. On one hand, the Company increased the proportion of fixed-income assets such as term deposits and debt securities, leading to the increase in interest income. On the other hand, driven by the prolonged decline in the fair value of equity securities held by the Company caused by the sustained downturn of the domestic capital market in 2012, the Company recorded considerable impairment losses on financial assets.

2. *Insurance business expenditures and other expenses*

Unit: RMB in millions

Component	**2012**	2011
Insurance benefits and claims	**(89,898)**	(87,151)
Claims and net change in outstanding claims liabilities	**(1,084)**	(867)
Life insurance death and other benefits	**(23,983)**	(20,311)
Increase in long-term insurance contracts liabilities	**(64,831)**	(65,973)
Investment contracts benefits	**(660)**	(635)
Commission and brokerage expenses	**(7,047)**	(7,317)
Administrative expenses	**(9,785)**	(9,229)
Other expenses	**(276)**	(199)
Total	**(107,666)**	(104,531)

Claims and net change in outstanding claims liabilities

During the reporting period, claims and net change in outstanding claims liabilities increased by 25.0% as compared to last year, primarily due to the business growth and the increase in accumulated volume of policies of the Company.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits increased by 18.1% as compared to last year, primarily due to the business growth and the increase in accumulated volume of policies of the Company.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities decreased by 1.7% as compared to last year, partially due to an increase in surrenders in 2012 as compared to last year, resulting in the decline in increase in insurance contracts liabilities. In addition, the business structure adjustment of the Company, especially the increasing proportion of long premiums payable period products, led to the decline in increase in long insurance contracts liabilities to a certain extent as compared to the last year.

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses decreased by 3.7% as compared to last year, primarily due to decrease of premiums for new policies.

Administrative expenses

During the reporting period, administrative expenses increased by 6.0% as compared to the same period of last year, primarily due to the expanding business scale and the increase in salary and welfare expenses.

Other expenses

During the reporting period, other expenses increased by 38.7% as compared to last year, primarily due to the increase in interest expenses for securities sold under agreements to repurchase and interest expenses for term subordinated debts.

3. *Income tax*

During the reporting period, income tax gains amounted to RMB646 million as compared to income tax expenses of RMB475 million for the last year. The change was led by the deferred income tax, which was primarily because the Company's management anticipated that the Company will have sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future and therefore the Company recognized deferred income tax credit of RMB834 million during the reporting period, as compared to the deferred income tax expenses of RMB266 million recognized in the last year.

4. *Net profit*

During the reporting period, the Company achieved net profit attributable to shareholders of the Company of RMB2,933 million, representing an increase of 4.8% as compared to last year. The slowdown in net profit growth was primarily driven by the continued decline in fair value of the equity securities held by the Company caused by the sustained downturn of the domestic capital market in 2012. The Company recorded impairment losses on assets which led to a decline in profits before tax compared to that of last year.

5. *Other comprehensive income*

During the reporting period, other comprehensive income was RMB2,853 million as compared to a loss in the last year, primarily due to the partial transfer of variable losses on investment assets recorded in other comprehensive income in the previous period to impairment losses on assets and realized gains/losses in the reporting period.

(III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

Components	**2012**	2011
Net cash flows from operating activities(1)	**54,252**	55,983
Net cash flows from investing activities(1)	**(81,382)**	(85,832)
Net cash flows from financing activities	**31,100**	23,677

Note:

1. The comparative figures have been reclassified in the same way as the disclosures made in the consolidated financial statements for the current period.

1. Net cash flows from operating activities

Net cash flows from operating activities of the Company for the year 2012 and 2011 amounted to RMB54,252 million and RMB55,983 million respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contracts for the year of 2012 and 2011 amounted to RMB97,450 million and RMB94,444 million respectively. Increase in cash premiums was primarily due to the continuous growth in premiums income as a result of consistent development in the scale of the Company's insurance business.

Cash outflows from operating activities of the Company in 2012 and 2011 amounted to RMB44,439 million and RMB39,559 million respectively. Cash outflows from operating activities of the Company were primarily comprised of benefits and claims expenses, commission and brokerage expenses paid in cash, cash paid to or for employees, and other cash payments related to operating activities. Claims expenses in cash from existing insurance contracts for the year of 2012 and 2011 amounted to RMB25,643 million and RMB21,012 million respectively. The above changes were primarily due to the increase of benefits and claims paid arising from the Company's business growth.

2. Net cash flows from investing activities

Net cash flows from investing activities of the Company in 2012 and 2011 amounted to negative RMB81,382 million and negative RMB85,832 million respectively. Cash inflows from investing activities of the Company in 2012 and 2011 amounted to RMB137,878 million and RMB134,499 million respectively. Cash inflows from investing activities of the Company were primarily comprised of cash received from recovery of investments, cash received from investment returns and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company in 2012 and 2011 amounted to RMB219,260 million and RMB220,331 million respectively. Cash outflows from investing activities of the Company were primarily comprised of cash paid for investments, net increase in policy loans, cash paid for purchase of properties, plants and equipments, intangible assets and other long-term assets, and cash paid for financial assets purchased under agreements to resell, etc.

3. Net cash flows from financing activities

Net cash flows from financing activities of the Company in 2012 and 2011 amounted to RMB31,100 million and RMB23,677 million respectively. Cash inflows from financing activities of the Company in 2012 and 2011 amounted to RMB4,703,198 million and RMB1,354,725 million respectively. Cash inflows from financing activities of the Company were primarily comprised of cash received from sale of financial assets under agreements to repurchase, cash received from bonds issuance and cash proceeds from share issuance, etc.

Cash outflows from financing activities of the Company in 2012 and 2011 amounted to RMB4,672,098 million and RMB1,331,048 million respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase.

IV. ANALYSIS BY COMPONENT

(I) Solvency

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

Unit: RMB in millions

	31 December 2012	31 December 2011	**Reason(s) of change**
Actual capital	**35,764**	23,866	Issuance of subordinated term debts, gains/losses for the current period and changes in fair value of financial assets
Minimum capital	**18,574**	15,304	Growth in insurance business
Surplus	**17,190**	8,562	
Solvency Margin ratio	**192.56%**	155.95%	

(II) Gearing ratio

	31 December 2012	31 December 2011
Gearing ratio	**92.7%**	91.9%

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 existing reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company are mainly China Life Reinsurance Company Ltd. and Swiss Reinsurance Company Ltd., Beijing Branch, etc.

During 2012, premiums ceded out of the Company were set out as follows:

Unit: RMB in millions

For the 12 months ended 31 December	**2012**	2011
China Life Reinsurance Company Ltd.[1]	**(108)**	(666)
Swiss Reinsurance Company Ltd., Beijing Branch	**93**	76
Others[2]	**10**	6
Total	**(5)**	(584)

Notes:

1. Premiums ceded out were negative primarily because policy surrenders recovered from the reinsurer exceeded the premiums ceded out during the year.

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

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

Unit: RMB in millions

Rank	Product name	Gross premium income	Standard premium for new policies
1	Hongshuangxi New Type C endowment insurance (Participating)	24,457	660
2	Zunxiangrensheng Annuity insurance (Participating)	7,214	210
3	Hongshuangxi Yingbaoli endowment insurance (Participating)	7,021	211
4	Hongshuangxi Jinqiangui Annuity insurance (Participating)	6,193	394
5	Jixinggaozhao Type A endowment insurance (Participating)	4,331	–[1]

Notes:

1. The sale of this product ceased in October 2010.

V. FUTURE PROSPECTS

In 2013, the macro-economy and financial market conditions are expected to see further improvement, and thus to fuel the continued development of the life insurance industry. Although the global economy remains relatively weak four years after the outbreak of the global financial crisis, the risks of the debt crisis in Euro zone, the fiscal problems in the United States and the slowdown in China's economic growth as well as their associated potential impact have already been subdued. In tandem with the above, extensive monetary stimulus policies adopted by some major economies are expected to lead to a positive impact on economic growth, thereby increasing the probability of a stronger-than-expected global economic recovery. Meanwhile, driven by the increased efforts on reform placed by the new session of government as well as the introduction of a series of policies for continuous economic development and livelihood improvement, domestic economy and capital market are expected to stabilize and rebound. Yet, given the generally inadequate demand from the Europe and the United States in the short term, and that the domestic economy is expected to be in lack of autonomous growth momentum, the development of macro-economy may still face uncertainties to a certain extent.

The overall development trend of the life insurance industry is still expected not to be optimistic in 2013 with the co-existence of opportunities and challenges. Improvement in macro-economy and financial environment, opportunities arising from urbanization and aging population, release of demand in insurance such as health and pension, as well as the introduction of a series of new investment and regulatory policies will probably favor the development of life insurance industry in the long term. Nonetheless, the challenges faced by the industry shall also not be neglected. With a lack of growth momentum of the major channels in the industry, especially for bancassurance channel where the significant negative growth does not show any significant improvement, no substantial breakthrough is found in the bottleneck for traditional growth mode. On the other hand, the peak for maturities is gradually coming for the life insurance industry which, coupled with the continuous weakening in renewal dividends, would impose pressure on cash flows for the industry. In addition, the rapid growth in asset-oriented products in the industry does not only bring along new momentum, but also the continuous tightening of requirements on asset-liability match and risk control for the industry.

In light of future opportunities and challenges, the Company will continue to uphold its "customer-centric" development strategies, sustain steady growth of its existing businesses, undertake reform and innovation, as well as emphasize on value and return to the essence of life insurance. Capturing the prevailing opportunities arising from urbanization and aging population, the Company is expected to build itself as the most excellent financial service group in China devoting to all-round life insurance.

In 2013, the Company will continue to promote value transformation and uphold the operation concept of "customer-centric". Through establishing a service system based on customers' entire life cycle as well as ancillary policy system, institution system, sales team, training system, product system, operation system and information system with focus on core customer groups, the Company aims to establish and improve its "customer-centric" structures and operation system, and thus foster the shift of the Company's customer base towards those of mid or higher income. At the same time, the Company plans to proactively explore innovative business development modes, while actively expand into internet sales business and utilize the extensive customer base on the internet with a view to effectively create a channel catering for emerging consumer groups and their consumption characteristics. The Company plans to constantly widen its investment channels to enhance its capabilities in utilizing funds. With the establishment of systematic risk control mechanism with rapid response, enhancement on IT system reform and innovation as well as risk prevention capabilities, continuous optimization of the construction of back office support such as risk control, operation and IT, the comprehensive management would be enhanced and thus promote the solid development of the Company. The Company strives to realize steady growth in GWP, business value and net profits in 2013 according to our plan.

Pursuant to the solvency requirements imposed by regulatory authorities on insurance companies and to meet the adequacy solvency level II (a solvency margin ratio of 150%), the Company has established an effective, solvency management-centric capital monitory, improvement, assessment and allocation mechanism in order to satisfy its long-term strategic development needs via capital planning and management.

ANNUAL RESULTS[1]

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-AUDITED

For the year ended 31 December 2012

Unit: RMB in millions

	Notes	**For the year ended 31 December 2012**	2011
REVENUES			
Gross written premiums and policy fees	*1*	**98,081**	95,151
Less: premiums ceded out		**5**	584
Net written premiums and policy fees		**98,086**	95,735
Net change in unearned premiums liabilities		**(135)**	(71)
Net premiums earned and policy fees		**97,951**	95,664
Investment income	*2*	**13,559**	12,754
Other income	*3*	**189**	192
Total revenues		**111,699**	108,610
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	*4*	**(1,084)**	(867)
Life insurance death and other benefits	*4*	**(23,983)**	(20,311)
Increase in long-term insurance contracts liabilities	*4*	**(64,831)**	(65,973)
Investment contracts benefits		**(660)**	(635)
Commission and brokerage expenses		**(7,047)**	(7,317)
Administrative expenses	*5*	**(9,785)**	(9,229)
Other expenses	*6*	**(276)**	(199)
Total benefits, claims and expenses		**(107,666)**	(104,531)
Share of results of associates		**1**	2
Finance cost	*7*	**(1,746)**	(806)

Note:

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

	Notes	For the year ended 31 December **2012**	2011
Net profit before income tax		**2,288**	3,275
Income tax	*8*	**646**	(475)
Net profit for the year		**2,934**	2,800
Net profit for the year attributable to:			
– Shareholders of the Company	*9*	**2,933**	2,799
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic and diluted	*10*	**0.94**	1.24
Other comprehensive income/(losses)			
Available-for-sale financial assets			
Gains/(losses) arising from fair value changes		**33**	(10,474)
Reclassification adjustments for gains/(losses) included in profit or loss		**2,013**	(919)
Impairment charges reclassified to the statement of comprehensive income		**5,281**	904
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses		**(4,489)**	6,530
Income tax relating to components of other comprehensive income	*8*	**15**	266
Total other comprehensive income/(losses)		**2,853**	(3,693)
Total comprehensive income/(losses)		**5,787**	(893)
Total comprehensive income/(losses) for the year attributable to:			
– Shareholders of the Company		**5,786**	(894)
– Non-controlling interests		**1**	1

Notes:

1 GROSS WRITTEN PREMIUMS AND POLICY FEES

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Gross written premiums		
– Long-term insurance contracts	**95,521**	92,964
– Short-term insurance contracts	**2,198**	1,833
Subtotal	**97,719**	94,797
Policy fees		
– Investment contracts	**362**	354
Gross written premiums and policy fees	**98,081**	95,151

2 INVESTMENT INCOME

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Held-to-maturity financial assets		
– Interest income	**7,170**	**5,663**
Available-for-sale financial assets		
– Interest income	**2,695**	**1,917**
– Dividend income	**1,022**	**894**
– Net realized (losses)/gains	**(1,229)**	**1,169**
– Impairment losses on equity securities	**(5,281)**	**(904)**
Financial assets at fair value through income		
– Interest income	**64**	**59**
– Dividend income	**89**	**44**
– Net fair value gains/(losses)	**175**	**(1,247)**
Interest income from bank deposit	**8,584**	**4,970**
Interest income from policy loans	**231**	**62**
Interest income from financial assets purchased under agreements to resell	**18**	**50**
Reversal of provision for entrusted fund receivable from Minfa Securities	**–**	**62**
Others	**21**	**15**
Total	**13,559**	**12,754**
Including:		
Investment income using the effective interest method	**18,763**	**12,721**
Investment income from listed investment	**(3,495)**	**1,352**
Investment income from unlisted investment	**17,054**	**11,402**
Total	**13,559**	**12,754**

3 OTHER INCOME

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Rental income from investment property	**69**	60
Government grants	**12**	–
Other	**108**	132
Total	**189**	192

4 INSURANCE BENEFITS AND CLAIMS

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Gross		
Claims and change in outstanding claims liabilities	**1,138**	940
Life insurance death and other benefits	**24,855**	20,340
Increase in long-term insurance contracts liabilities	**63,816**	65,430
Total	**89,809**	86,710
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(54)**	(73)
Life insurance death and other benefits	**(872)**	(29)
Increase in long-term insurance contracts liabilities	**1,015**	543
Total	**89**	441
Net		
Claims and change in outstanding claims liabilities	**1,084**	867
Life insurance death and other benefits	**23,983**	20,311
Increase in long-term insurance contracts liabilities	**64,831**	65,973
Total	**89,898**	87,151

5 ADMINISTRATIVE EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Employee benefit expenses (including directors' emoluments)[1]	**6,302**	5,543
Travel and conference fees	**701**	818
Operating lease expense	**627**	534
Entertainment fees	**430**	361
Official fees	**340**	430
Depreciation and amortization	**297**	259
Promotional printing cost	**236**	367
Insurance guarantee fund	**165**	157
Postal fees	**138**	135
Advertising fees	**118**	185
Vehicle use fees	**75**	85
Electronic equipment operating costs	**49**	63
Auditors' remuneration	**16**	10
Others	**291**	282
Total	**9,785**	9,229

(1) Employee benefit expenses are presented below:

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Salary and welfare expenses	**5,133**	4,690
Social security costs- pension	**410**	304
Social security costs – other	**407**	271
Including:		
Supplementary defined contribution pension expense	**152**	75
Supplementary medical expense	**18**	15
Housing fund	**219**	168
Employee education and labor union fees	**133**	110
Total	**6,302**	5,543

6 OTHER EXPENSES

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Business tax and surcharges	**134**	140
Exchange losses	**37**	206
Reversal of provision for prepayment for Taizhou and Youngzhou case	**(100)**	(7)
Reversal of provision for receivable from Off-balance sheet repurchase transactions	**(170)**	(354)
Amount payable for Orient Group	**170**	–
Others	**205**	214
Total	**276**	199

7 FINANCE COST

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Interest expenses for financial assets sold under agreements to repurchase	**1,250**	733
Interest expenses for the subordinated debts	**496**	73
Total	**1,746**	806

8 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. All of income taxes shown below are taxes in the PRC and no provision for Hong Kong profits tax has been made for the year.

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

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Current tax	**188**	209
Deferred tax	**(834)**	266
Total income tax	**(646)**	475

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

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Profit before income tax	**2,288**	3,275
Tax computed at the statutory tax rate	**572**	819
Non-taxable income (i)	**(700)**	(649)
Expenses not deductible for tax purpose (i)	**29**	64
Cumulative tax losses utilized	**–**	(273)
Effect on unrealized deferred tax assets arising from deductible temporary differences	**(560)**	497
Past due income tax paid	**13**	17
Income tax at effective tax rate	**(646)**	475

(i) Non-taxable income mainly includes government bond interest income and dividend income. Expenses not deductible for tax purposes mainly include those expenses such as penalty, donation and hospitality expenses that do not meet the criteria for deduction set by relevant tax regulations.

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

Unit: RMB in millions

	Financial assets	**Insurance and others**	**Total**
As of 1 January 2011	(1,142)	1,156	14
Charged/(Credited) to net profit	264	(530)	(266)
Charged to other comprehensive income	1,897	(1,631)	266
As of 31 December 2011	1,019	(1,005)	14
As of 1 January 2012	**1,019**	**(1,005)**	**14**
Charged/(Credited) to net profit	**(83)**	**917**	**834**
Charged to other comprehensive income	**(1,107)**	**1,122**	**15**
As of 31 December 2012	**(171)**	**1,034**	**863**

Unit: RMB in millions

	As of 31 December	
	2012	2011
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**563**	1,461
– deferred tax assets to be recovered after more than 12 months	**1,090**	–
Subtotal	**1,653**	1,461
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(100)**	(1,447)
– deferred tax liabilities to be settled after more than 12 months	**(690)**	–
Subtotal	**(790)**	(1,447)
Total net deferred income tax assets	**863**	14

(4) Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognized is as follows:

Unit: RMB in millions

	As of 31 December	
	2012	2011
Deductible temporary differences	**532**	5,670

As of 31 December 2012, The Company's management anticipates that the Group will have sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future, therefore, the Group recognized deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

9 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2012 is RMB2,933 million (for the year ended 31 December 2011: RMB2,799 million) which is included in the Consolidated Financial Statements of the Group.

10 EARNINGS PER SHARE

(1) Basic

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

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
Net profit attributable to shareholders of the Company (RMB in millions)	**2,933**	2,799
Weighted average number of ordinary shares issued (in millions)	**3,120**	2,250
Basic earnings per share (RMB)	**0.94**	1.24

(2) Diluted

The Company has no diluted potential ordinary shares. Diluted earnings per share is the same as basic earnings per share for the year ended 31 December 2012 (2011: same).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION-AUDITED

As of 31 December 2012

Unit: RMB in millions

	As of 31 December	
	2012	2011
ASSETS		
Property, plant and equipment	**4,126**	4,284
Investment properties	**1,635**	451
Intangible assets	**102**	65
Investments in associates	**708**	709
Financial assets		
Debt securities	**234,130**	190,464
– Held-to-maturity	**176,817**	141,090
– Available-for-sale	**55,624**	46,866
– At fair value through income	**1,381**	2,488
– Loans and receivables	**308**	20
Equity securities	**32,085**	29,051
– Available-for-sale	**28,711**	26,010
– At fair value through income	**3,374**	3,041
Term deposits	**171,853**	122,949
Statutory deposits	**717**	522
Policy loans	**3,866**	2,055
Financial assets purchased under agreements to resell	**–**	79
Accrued investment income(1)	**10,764**	7,743
Premiums receivable	**1,556**	1,395
Deferred tax assets	**863**	14
Reinsurance assets	**3,282**	4,202
Other assets(1)	**2,940**	1,693
Cash and cash equivalents	**25,066**	21,095
Total assets	**493,693**	386,771

Note:

1. The comparative figures have been reclassified in the same way as disclosures made in the consolidated financial statements for the current period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION-AUDITED (CONTINUED)

As of 31 December 2012

Unit: RMB in millions

	As of 31 December	
	2012	2011
LIABILITIES AND EQUITY		
Liabilities		
Insurance contracts		
Long-term insurance contracts liabilities	**361,070**	292,818
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	**452**	392
– Unearned premiums liabilities	**750**	604
Financial liabilities		
Investment contracts	**18,988**	19,001
Borrowings[(1)]	**15,000**	5,000
Financial assets sold under agreements to repurchase	**55,437**	32,481
Benefits, claims and surrenders payable	**789**	499
Premiums received in advance[(1)]	**518**	560
Reinsurance liabilities	**33**	31
Provisions	**458**	458
Other liabilities[(1)]	**4,258**	3,422
Current income tax liabilities	**62**	192
Total liabilities	**457,815**	355,458
Shareholders' equity		
Share capital	**3,120**	3,117
Reserves	**25,967**	22,468
Retained earnings	**6,783**	5,721
Total shareholders' equity	**35,870**	31,306
Non-controlling interests	**8**	7
Total equity	**35,878**	31,313
Total liabilities and equity	**493,693**	386,771

Note:

1. The comparative figures have been reclassified in the same way as disclosures made in the consolidated financial statements for the current period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-AUDITED

For the year ended 31 December 2012

Unit: RMB in millions

	Attributable to shareholders of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling Interests	Total Equity
For the year ended 31 December 2011						
As of 1 January 2011	1,200	1,889	3,478	6,567	6	6,573
Net profit for the year	–	–	2,799	2,799	1	2,800
Other comprehensive losses	–	(3,693)	–	(3,693)	–	(3,693)
Total comprehensive losses	–	(3,693)	2,799	(894)	1	(893)
Capital injection	1,400	12,600	–	14,000	–	14,000
Initial public offering	517	11,116	–	11,633	–	11,633
Appropriation to reserves	–	556	(556)	–	–	–
Total transactions with owners	1,917	24,272	(556)	25,633	–	25,633
As of 31 December 2011	3,117	22,468	5,721	31,306	7	31,313
For the year ended 31 December 2012						
As of 1 January 2012	3,117	22,468	5,721	31,306	7	31,313
Net profit for the year	–	–	2,933	2,933	1	2,934
Other comprehensive income	–	2,853	–	2,853	–	2,853
Total comprehensive income	–	2,853	2,933	5,786	1	5,787
New shares issued	3	56	–	59	–	59
Dividends paid	–	–	(1,281)	(1,281)	–	(1,281)
Appropriation to reserves	–	590	(590)	–	–	–
Total transactions with owners	3	646	(1,871)	(1,222)	–	(1,222)
As of 31 December 2012	3,120	25,967	6,783	35,870	8	35,878

CONSOLIDATED STATEMENT OF CASH FLOWS-AUDITED

For the year ended 31 December 2012

Unit: RMB in millions

	For the year ended 31 December **2012**	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**2,288**	3,275
Adjustments for:		
Investment income	**(13,559)**	(12,754)
Finance cost	**1,746**	806
Net change in outstanding claims liabilities	**66**	109
Net change in unearned premiums liabilities	**135**	71
Increase in long-term insurance contracts liabilities	**64,831**	65,973
Investment contracts benefits	**660**	635
Policy fees	**(362)**	(354)
Depreciation and amortization	**386**	290
Impairment losses on other receivables	**(268)**	(359)
Losses on disposal of property, plant and equipment	**27**	5
Changes in operational assets and liabilities:		
Receivables and payables[(1)]	**(1,652)**	(648)
Investment contracts	**(364)**	(1,095)
Income tax paid	**318**	29
Net cash flows from operating activities[(1)]	**54,252**	55,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of securities investment		
Proceeds from sales of debt securities	**12,229**	13,849
Proceeds from maturities of debt securities	**3,071**	6,209
Proceeds from sales of equity securities	**36,721**	36,072
Purchases of securities investment		
Purchase of debt securities	**(58,087)**	(45,368)
Purchase of equity securities	**(39,916)**	(36,536)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**7**	4
Purchase of property, plant and equipment, intangible assets and other assets	**(1,339)**	(1,567)
Interests received[(1)]	**15,525**	9,344
Dividends received	**1,113**	937
Term deposits, net	**(48,954)**	(68,122)
Financial assets purchased under agreements to resell, net	**59**	581
Others	**(1,811)**	(1,235)
Net cash flows from investing activities[(1)]	**(81,382)**	(85,832)

Note:

1. The comparative figures have been reclassified in the same way as disclosures made in the consolidated financial statements for the current period.

CONSOLIDATED STATEMENT OF CASH FLOWS-AUDITED (CONTINUED)

For the year ended 31 December 2012

Unit: RMB in millions

	For the year ended 31 December	
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance	**59**	11,643
Received from borrowings	**10,000**	5,000
Interests paid	**(953)**	–
Financial assets sold under agreements to repurchase, net	**21,994**	7,034
Net cash flows from financing activities	**31,100**	23,677
Effect of foreign exchange rate changes	**1**	(101)
Net increase/(decrease) in cash and cash equivalents	**3,971**	(6,273)
Cash and cash equivalents		
Beginning of the year	**21,095**	27,368
End of the year	**25,066**	21,095
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	**24,836**	12,997
Short-term bank deposits	**230**	8,098
Total of cash and cash equivalents	**25,066**	21,095

SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

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

(ii) Group insurance business

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

(iii) Other business

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

(2) Allocation basis of income and expense

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

(3) Allocation basis of asset and liability

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

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

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

For the year ended 31 December 2012, 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.

Unit: RMB in millions

	For the year ended 31 December 2012				
	Insurance		Others	Elimination	Total
	Individual	Group			
		(RMB millions)			
Revenues					
Gross written premiums and policy fees	**96,601**	**1,480**	**–**	**–**	**98,081**
Less: premiums ceded out	**93**	**(88)**	**–**	**–**	**5**
Net written premiums and policy fees	**96,694**	**1,392**	**–**	**–**	**98,086**
Net change in unearned premiums liabilities	**(82)**	**(53)**	**–**	**–**	**(135)**
Net premiums earned and policy fees	**96,612**	**1,339**	**–**	**–**	**97,951**
Investment income	**13,149**	**397**	**13**	**–**	**13,559**
Other income	**155**	**14**	**247**	**(227)**	**189**
Including: inter-segment revenue	**5**	**–**	**222**	**(227)**	**–**
Total revenues	**109,916**	**1,750**	**260**	**(227)**	**111,699**
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	**(426)**	**(658)**	**–**	**–**	**(1,084)**
Life insurance death and other benefits	**(23,846)**	**(137)**	**–**	**–**	**(23,983)**
Increase in long-term insurance contracts liabilities	**(64,641)**	**(190)**	**–**	**–**	**(64,831)**
Investment contracts benefits	**(645)**	**(15)**	**–**	**–**	**(660)**
Commission and brokerage expenses	**(6,819)**	**(229)**	**–**	**1**	**(7,047)**
Including: inter-segment expenses	**(1)**	**–**	**–**	**1**	**–**
Administrative expenses	**(8,977)**	**(834)**	**(200)**	**226**	**(9,785)**
Including: inter-segment expenses	**(202)**	**(19)**	**(5)**	**226**	**–**
Other expenses	**88**	**(46)**	**(318)**	**–**	**(276)**
Total benefits, claims and expenses	**(105,266)**	**(2,109)**	**(518)**	**227**	**(107,666)**

	For the year ended 31 December 2012				
	Insurance		Others	Elimination	Total
	Individual	Group			
			(RMB millions)		
Share of results of associates	–	–	1	–	1
Finance cost	(1,708)	(38)	–	–	(1,746)
Net profit before income tax	**2,942**	**(397)**	**(257)**	**–**	**2,288**
Income tax	–	–	646	–	646
Net profit for the year	**2,942**	**(397)**	**389**	**–**	**2,934**
Segment assets	**473,386**	**7,720**	**12,610**	**(23)**	**493,693**
Segment liabilities	**432,516**	**7,141**	**18,181**	**(23)**	**457,815**

Other segment information for the year ended 31 December 2012:

Unit: RMB in millions

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	266	25	6	–	297
Interest income	18,289	461	13	–	18,763
Impairment	4,956	(57)	–	–	(5,013)
Share of profit of associates under equity method	–	–	1	–	1

Unit: RMB in millions

	For the year ended 31 December 2011				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	93,838	1,313	–	–	95,151
Less: premiums ceded out	665	(81)	–	–	584
Net written premiums and policy fees	94,503	1,232	–	–	95,735
Net change in unearned premiums liabilities	(36)	(35)	–	–	(71)
Net premiums earned and policy fees	94,467	1,197	–	–	95,664
Investment income	12,482	263	9	–	12,754
Other income	150	9	240	(207)	192
Including: inter-segment revenue	6	–	201	(207)	–
Total revenues	107,099	1,469	249	(207)	108,610
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(362)	(505)	–	–	(867)
Life insurance death and other benefits	(20,153)	(158)	–	–	(20,311)
Increase in long-term insurance contracts liabilities	(65,757)	(216)	–	–	(65,973)
Investment contracts benefits	(602)	(33)	–	–	(635)
Commission and brokerage expenses	(7,220)	(98)	–	1	(7,317)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(8,440)	(826)	(169)	206	(9,229)
Including: inter-segment expenses	(184)	(16)	(6)	206	–
Other expenses	13	(51)	(161)	–	(199)
Total benefits, claims and expenses	(102,521)	(1,887)	(330)	207	(104,531)

	For the year ended 31 December 2011				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of results of associates	–	–	2	–	2
Finance cost	(765)	(41)	–	–	(806)
Net profit before income tax	3,813	(459)	(79)	–	3,275
Income tax	–	–	(475)	–	(475)
Net profit for the year	3,813	(459)	(554)	–	2,800
Segment assets	371,193	7,244	8,342	(8)	386,771
Segment liabilities	341,220	6,701	7,545	(8)	355,458

Unit: RMB in millions

Other segment information for the year ended 31 December 2011:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	231	23	5	–	259
Interest income	12,458	253	10	–	12,721
Impairment	(476)	(7)	–	–	(483)
Share of profit of associates under equity method	–	–	2	–	2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1 BASIS OF PREPARATION

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

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

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

Changes in accounting policy and disclosures are as follows:

(a) Amended standards adopted by the Group

The following revised amendment is mandatory for the first time for the financial year beginning 1 January 2012.

- IFRS 7 (Amendment), "Disclosures – Transfers of financial asset". This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

- IAS 12 (Amendment), "Deferred tax: Recovery of underlying assets". IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

(b) New and revised standards, amendments and interpretations mandatory for the first time for the financial year beginning on 1 January 2012 but not currently relevant to the Group

- IFRS 1 (Amendment), "First time adoption-on hyperinflation and fixed dates". The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012

The standards, amendments and interpretations noted below are relevant to the Group but are not yet effective and have not been early adopted by the Group in 2012.

- IAS 1 (Amendment), "Presentation of financial statements". The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will be effective for annual periods beginning on or after 1 July 2012. Early adoption is permitted.

- IFRS 10, "Consolidated financial statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that control one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- IAS 27 (Revised 2011), "Separate financial statements". This standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 "Financial Instruments". The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- IFRS 11, "Joint arrangements". IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- IAS 28 (Revised 2011), "Investments in associates and joint ventures". IAS 28 (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- IFRS 12, "Disclosure of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

- IFRS 13, "Fair value measurements". Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The disclosure requirements of the new guidance do not need to be applied in comparative information for periods before initial application of IFRS 13.

- IAS 19 (Amendment), "Employee benefits". The amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment will be effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

- IFRS 7 (Amendment), "Disclosure: Offsetting Financial Assets and Financial Liabilities". The amendment does not change the current offsetting model in IAS 32, but clarifies the meaning of 'currently has a legally enforceable right of set-off' and clarifies that some (non-simultaneous) gross settlement systems would be considered equivalent to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

- IFRS 10, IFRS11, IFRS12 (Amendment) provide additional transition relief to IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendment will be effective for annual periods beginning on or after 1 January 2013.

- Annual improvements in 2011, the annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to: IFRS 1, "First time adoption". IAS 1, "Financial statement presentation". IAS 16, "Property plant and equipment". IAS 32, "Financial instruments: Presentation". IAS 34, "Interim financial reporting". The amendment will be effective for annual periods beginning on or after 1 January 2013.

- IAS 32 (Amendment), "Financial instruments: Presentation – Offsetting financial assets and financial liabilities". The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The amendment will be effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

- IFRS 9, "Financial instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard will be effective for annual periods beginning on or after 1 January 2015.

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

EMBEDDED VALUE

1. Key assumptions

In determining the embedded value and the value of new business as at 31 December 2012, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the current method for determining solvency reserves and statutory minimum solvency margin levels remains unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

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

(2) Investment Returns

The investment return assumptions as at 31 December 2012 are shown below for the different funds respectively.

Investment Return Assumptions for VIF and VNB as at 31 December 2012

	2013	2014	2015	2016+
Non-participating	5.00%	5.10%	5.20%	5.20%
Participating	5.00%	5.10%	5.30%	5.50%
Universal life	5.00%	5.20%	5.50%	5.60%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(3) Mortality

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

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

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

(4) Morbidity

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

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

Selection factors are applied for these products in the first and second policy year. Ultimate rates are applicable thereafter.

(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 2012 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 has been set based on the levels currently being paid for individual business. For group products and bancassurance products, allowance has been made for handling fees as part of our overall expenses.

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

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

(10) Cost of Holding Required Capital

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

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

(11) Other Assumptions

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

Our current reinsurance arrangements have been assumed to remain unaltered.

2. Embedded value results

The table below shows our embedded value and value of new business as at 31 December 2012 and their corresponding results as at prior valuation dates.

Unit: RMB in millions

Valuation Date	**31 December 2012**	31 December 2011
Adjusted Net Worth	**25,458**	21,966
Value of In-Force Business Before Cost of Capital	**42,321**	36,818
Cost of Capital	**(10,909)**	(9,793)
Value of In-Force Business After Cost of Capital	**31,412**	27,025
Embedded Value	**56,870**	48,991
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	**5,624**	6,054
Cost of Capital	**(1,452)**	(1,694)
Value of One Year's New Business After Cost of Capital	**4,172**	4,360

Note: Numbers may not be additive due to rounding.

3. Analysis of change

The analysis of change in Embedded Value from 31 December 2011 to 31 December 2012, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2011 to 31 December 2012 at a Risk Discount Rate of 11.5%

1.	EV at the beginning of period	48,991
2.	Impact of Value of New Business	4,475
3.	Expected Return	4,841
4.	Operating Experience Variances	670
5.	Economic Experience Variances	(103)
6.	Operating Assumption Changes	(251)
7.	Economic Assumption Changes	(299)
8.	Capital Injection/Shareholder Dividend Payment	(1,221)
9.	Others	(213)
10.	Value Change Other Than Life Insurance Business	(19)
11.	EV at the end of period	56,870

Note: Numbers may not be additive due to rounding.

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

2. Value of New Business as measured at the valuation date instead of at the point of issuing.
3. Expected Return on ANW and value of in-force business during the relevant period.
4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates and expenses) and the assumed.
5. Reflects the difference between actual and expected investment returns in the period.
6. Reflects the change in operating assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital Injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

4. Sensitivity tests

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2012

Scenarios	VIF after CoC	VNB after CoC
Base Scenario	31,412	4,172
Risk Discount Rate at 12.0%	29,727	3,895
Risk Discount Rate at 11.0%	33,207	4,469
Investment Return 0.5% higher	36,952	4,854
Investment Return 0.5% lower	25,859	3,488
Expenses 10% higher (110% of Base)	30,416	3,781
Expenses 10% lower (90% of Base)	32,408	4,563
Discontinuance Rates 10% higher (110% of Base)	31,031	4,036
Discontinuance Rates 10% lower (90% of Base)	31,804	4,312
Mortality 10% higher (110% of Base)	31,250	4,143
Mortality 10% lower (90% of Base)	31,575	4,201
Morbidity and Loss Ratio 10% higher (110% of Base)	30,699	4,018
Morbidity and Loss Ratio 10% lower (90% of Base)	32,127	4,326
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	26,933	3,671
Statutory Minimum Solvency Margin 50% higher (150% of Base)	31,146	3,445
Taxable Income Based on China Accounting Standards	30,128	3,896

CORPORATE GOVERNANCE

During the reporting period, except that five non-executive directors (including two independent non-executive directors) did not attend the 2011 Annual General Meeting of the Company held on 20 June 2012 in person because of other work commitment, the Company observed all the other code provisions in (1) the Code on Corporate Governance Practices (expired on 1 April 2012) during the period from 1 January 2012 to 31 March 2012 and (2) the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and adopted most of the best practices set out therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During 2012, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

The 2012 Annual General Meeting of the Company will be held on Tuesday, 25 June 2013. For the purpose of determining H Shareholders' entitlement to attend the 2012 Annual General Meeting, the H share register of members of the Company will be closed from Saturday, 25 May 2013 to Tuesday, 25 June 2013 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the annual general meeting, H Shareholders should ensure that all share certificates, accompanied by the relevant transfer documents, 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 Friday, 24 May 2013.

2012 FINAL DIVIDEND

In 2012, the Company has distributed a special dividend totalling RMB1.0 billion, representing 33.86% of the distributable profit of the Company achieved within the year as contained in the consolidated financial statement, which meets the minimum requirement of cash distribution as stipulated in the articles of association of the Company. The portion of the above special dividend attributable to the shareholders existing prior to the IPO of the Company (the "Then Existing Shareholders") has been deposited into special bank accounts designated by the Company on behalf of the Then Existing Shareholders. The deposit period will be expired after 36 months from the listing date of the Company. Apart from the Then Existing Shareholders, the Company has dispatched the remaining portion of the special dividend to its other A Shareholders and H Shareholders on 24 August 2012 and 28 September 2012, respectively. For details of the distribution, please refer to the *Announcement on the Declaration of Special Dividend* published by the Company on 26 July 2012. In light of this, the Company proposes not to distribute any other portion of the distributable profit after tax in 2012 except for the above special dividend.

The proposal will be submitted to the 2012 Annual General Meeting for consideration and approval.

SUBSEQUENT EVENT

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the Company's Second Extraordinary General Meeting of 2013, the Company planned to issue debt financing instruments with a period of more than 5 years and a total amount of not more than RMB5 billion in 2013. The issuance of the 2013 debt financing instruments of the Company is pending the approval of regulatory authorities.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the board of directors of the Company, in conjunction with the Company's external auditors, have reviewed the Company's consolidated financial statements for the year ended 31 December 2012, including the accounting principles and practices.

PUBLICATION OF ANNUAL REPORT

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

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

Beijing, China, 26 March 2013

As at the date of this announcement, the executive directors of the Company are KANG Dian and HE Zhiguang; the non-executive directors are ZHAO Haiying, MENG Xingguo, LIU Xiangdong, WANG Chengran, CHEN Johnny, CHEONG Chee Meng and ZHAO John Huan; and the independent non-executive directors are CAMPBELL Robert David, CHEN Xianping, WANG Yuzhong, ZHANG Hongxin, ZHAO Hua and FONG Chung Mark.