## OVERVIEW

As a large life insurance company in the PRC, we provide a broad range of life insurance products and services to individual and institutional customers through our extensive distribution network in the country. We also manage a significant majority of our insurance funds through New China Asset Management.

We generated GWP of RMB46,453 million, RMB65,040 million, RMB91,679 million and RMB50,662 million in 2008, 2009 and 2010 and the first six months of 2011, respectively. According to data published by the CIRC, in terms of gross premium income (prior to adjustments made in accordance with Interpretation No. 2)[(1)], our market share increased from 7.6% in 2008 and 8.2% in 2009 to 8.9% in 2010, and our ranking among all life insurance companies operating in the PRC rose from fifth in 2008 to third in 2010. According to the same source, for the first six and nine months of 2011, we ranked fourth in the PRC life insurance market with a market share of 9.0% and 9.7%, respectively, with a gross premium income of RMB74,361 million for the first nine months of 2011 (after adjustments made in accordance with Interpretation No. 2). We manage our investment assets mainly through New China Asset Management and had investment assets of RMB155,752 million, RMB196,747 million, RMB292,866 million and RMB334,574 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

The following table sets forth the breakdown of our GWP by customer type and distribution channel for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| Individual Life Insurance | 45,845 | 98.7% | 64,210 | 98.7% | 90,599 | 98.8% | 49,890 | 98.5% |
| through: | | | | | | | | |
| Individual insurance agent channel | 14,457 | 31.1% | 20,248 | 31.1% | 28,688 | 31.3% | 18,791 | 37.1% |
| Bancassurance channel | 31,388 | 67.6% | 43,962 | 67.6% | 61,690 | 67.3% | 30,731 | 60.7% |
| Wealth management channel | — | — | — | — | 221 | 0.2% | 368 | 0.7% |
| Group Insurance | 608 | 1.3% | 830 | 1.3% | 1,080 | 1.2% | 772 | 1.5% |
| **Total** | **46,453** | **100.0%** | **65,040** | **100.0%** | **91,679** | **100.0%** | **50,662** | **100.0%** |

Since our establishment in 1996, we have built one of the most influential brands in the PRC life insurance industry. As of June 30, 2011, our distribution network covered substantially all provinces, autonomous regions and directly administered municipalities in the PRC and included:

- 34 province-level branches (including our branches in certain cities specifically designated in the state plan (計劃單列市)), 214 central sub-branches, 264 sub-branches, 954 county-level sales and services offices and 11 town-level sales and services offices located throughout the PRC;

(1) Interpretation No. 2 and the rules promulgated thereunder require that all insurance companies in China comply with the following accounting policies when preparing their financial reports:

1. Significant insurance risk tests and unbundling treatments in the recognition and measurement of premium income;
2. Policy acquisition costs not to be deferred and shall be included in the profit and loss of the current accounting period; and
3. Insurance contract liabilities evaluated on the basis of reasonable estimates.

- approximately 204,000 individual insurance agents for our individual life insurance products;
- over 25,000 bancassurance outlets and approximately 15,000 bancassurance account managers;
- approximately 910 group insurance direct sales representatives, 1,210 cross-selling insurance agents and 720 insurance intermediary agents; and
- approximately 15,000 members in our insurance policy renewal team.

As of June 30, 2011, we had approximately 24.94 million individual life insurance customers and approximately 57,000 institutional customers. A majority of our GWP comes from the more economically developed and heavily populated areas in China. We plan to further expand in areas with high growth potential in China. In order to standardize operating procedures, achieve economies of scale and enhance our compliance and risk control capabilities, we have commenced operation of our first shared services center in Beijing.

Our high-quality customer service has contributed to our reputable brand and leading market position. We ranked 30th among service industry enterprises in the "Top 500 Enterprises in China", jointly sponsored by the China National Enterprise Federation and the Chinese Entrepreneur Association in 2010. We believe our reputable brand, professional distribution capabilities, extensive customer base and high-quality customer service will help us sustain our leading market position and capture Chinese customers' growing demand for insurance products and services.

## OUR STRENGTHS

As one of the largest and longest-established life insurance companies in the PRC, we are a market leader with distinct product positioning and an extensive distribution network. We believe that the following strengths will continue to enable us to benefit from the rapid and sustained development of the PRC life insurance industry.

Our principal strengths include:

### *A large and fast-growing life insurance company with a leading market position*

*Focus on life insurance with a leading market position.* According to data published by the CIRC, since 2004, we have consistently ranked as one of the top five life insurance companies in the PRC in terms of gross premium income. Our market share increased from 7.6% in 2008 to 8.9% in 2010 and our ranking rose from fifth to third in terms of gross premium income (prior to adjustments made in accordance with Interpretation No. 2) among all life insurance companies operating in the PRC during the same period. According to data published by the CIRC, our market share in 2010 was among the top three in regions such as Beijing, Shanghai, Guangdong (excluding Shenzhen) and Hubei, which were among the top ten regions in China in terms of gross premium income in the same year. For the first nine months of 2011, we ranked fourth with a market share of 9.7% in terms of gross premium income (after adjustments made in accordance with Interpretation No. 2).

*Rapid growth of gross premium income.* Since our establishment in 1996, we have experienced rapid premium growth. According to data published by the CIRC (prior to adjustments made in accordance with Interpretation No. 2), the CAGR of our gross premium income reached 29.7% from 2008 to 2010, ranking first among the top five life insurance companies in the PRC during the same period and higher than the CAGR of 19.6% of the PRC life insurance industry for the same period. Partially due to the impact of new regulations on the bancassurance channel, the growth of our gross premium income slowed down in 2011. We believe, however, that the various strategic initiatives we are launching and our leading position in many economically developed and heavily populated regions will enable us to achieve continued growth of our gross premium income in the future.

***Consistent innovation capabilities, adaptive strategic positioning and outstanding strategy execution capabilities***

*Long-standing commitment to innovation, timely formulation of appropriate strategic goals and outstanding execution as the foundation of our leading market position.* Since we commenced our operations, we have been committed to innovation and have formulated and executed appropriate strategies at critical market junctures. In 1999, we decided to focus on the individual life insurance market and consequently captured the opportunities arising from the rapid growth of the PRC life insurance market. In 2001, we established product offerings centered around reversionary bonus participating products, swiftly established our nationwide institutional network, and entered into the bancassurance market on a large scale, all of which laid the groundwork for our leading position in the PRC life insurance market. In 2007, we further refined our "Core Business Strategy," which emphasized the sustainable value growth of our business as our overall strategic objective. Consequently, we have been focusing increasingly on regular premium individual life insurance products and we were among the first PRC life insurance companies to introduce regular premium products into the bancassurance channel. In the first six months of 2011, first year regular premiums accounted for 26.7% of our total first year premiums generated through our bancassurance channel, which we believe compared favorably with the publicly listed PRC insurance companies for the same period.

*Adaptively formulating and firmly executing new strategies*. While taking into account the existing market conditions, the pattern of development in the PRC life insurance industry and our core strengths, we formulated our strategies based on our customer-centric principle and our goal to capture the demographic trends driven by China's urbanization and aging population. Our strategies seek to maintain the sustained and stable growth of our existing business, continue the process of reengineering and enhancing our capabilities, enhance innovation, insist on value, and return to the essentials of life insurance. We believe a successful implementation of our strategies will enable us to continue to adapt to the development of the PRC life insurance industry and reinforce the foundation for our sustainable growth.

***Focus on high-quality, value-driven business mix with advanced product philosophy***

*Optimization of our business mix through the sale of long-term regular premium products as our top priority.* Along with the growth of our GWP and market share, we have been putting greater emphasis on the quality of our growth. We are dedicated to developing and selling long-term regular premium individual life insurance products that can help us maintain a steady source of GWP, which in turn enhances the value of our business. From 2008 to 2010, our first year regular premiums grew at a CAGR of 42.3%, far exceeding the CAGR of 17.3% for our first year single premiums during the same period. In the first six months of 2011, our first year regular premiums as a percentage of our first year premiums reached 41.0%, which we believe compared favorably with the publicly listed PRC insurance companies for the same period. In our bancassurance channel, first year regular premiums from products with premium payment period of five years or above accounted for 79.7% of the total first year regular premiums in the first half of 2011, increased from 55.1% in 2008.

*Focus on participating insurance products that have experienced the fastest growth in the PRC life insurance market in recent years.* Currently, participating insurance products are the main type of insurance products in the PRC life insurance market. According to data published by the Yearbook of China's Insurance in terms of gross premium income, the market share of participating insurance products in the PRC life insurance market was 66.9%(1) in 2009, 81.7%(2) in 2010 and 91.6%(2) for the first six months of 2011, respectively, according to the CIRC. According to the statistics in the Yearbook of China's Insurance, we accounted for approximately 11.5% and 12.0% of the gross premium income of the participating life insurance market in the PRC and ranked second only to China Life in 2009 and 2010, respectively. In 2008, 2009, 2010 and the first six months of 2011, GWP from our participating life insurance accounted for more than 90% of our GWP.

*Long-term commitment to product innovation to meet customer needs.* As a company focused on reversionary bonus participating products in the industry, we believe that we enjoy first-mover advantages in product development and the accumulation of empirical data of such products, and we are committed to innovation to meet customer needs. Dividends of reversionary bonus participating products are distributed to policyholders through an increase in sum insured rather than a payment in cash to the policyholders, hence increases the protection level for the policyholder and the policy's maturity or annuity benefits. In addition, reversionary bonus participating products allow our customers to enjoy increased protection without additional underwriting processes. We believe such products will contribute to greater customer loyalty.

***Extensive and productive multi-channel distribution network***

*Nationwide distribution network.* As of June 30, 2011, we covered substantially all the province-level administrative regions in China except for Hong Kong, Macau, Taiwan and Tibet. Compared to the publicly listed PRC insurance companies, we have fewer branch entities but achieved relatively high premium generated per branch entity. We believe there is substantial room to grow our GWP by further expanding our distribution network in the future.

*Large individual insurance agent team.* As of June 30, 2011, the total number of our individual insurance agents was approximately 204,000. We seek to provide our individual insurance agents with excellent career development opportunities and effective incentive plans, as well as sufficient training and sales support, in order to enable them to continuously improve their productivity. Our individual insurance agents' average monthly first year premiums per agent grew at a CAGR of 18.9% from RMB2,808 in 2008 to RMB3,968 in 2010 and continued to grow to RMB4,155 in the first six months of 2011.

*Leading bancassurance channel.* We were one of the first PRC life insurance companies to establish the bancassurance channel and one of the first large PRC life insurance companies to launch regular premium products in the bancassurance channel. In 2010, in terms of gross premium income, we ranked third in the PRC bancassurance market, according to the statistics in the Yearbook of China's Insurance. We offer life insurance products primarily through major PRC commercial banks, including the Five Large Commercial Banks and PSB. As of June 30, 2011, we cooperated with more than 25,000 bancassurance outlets throughout the country and employed approximately 15,000 bancassurance account managers.

(1) Prior to adjustments made in accordance with Interpretation No. 2
(2) After adjustments made in accordance with Interpretation No. 2

*Dedicated and effective insurance policy renewal team.* We have a separate insurance policy renewal team dedicated to collecting regular premiums of in-force policies, as well as supervising such collections and maintaining relationships with our customers. As of June 30, 2011, we had approximately 15,000 members in our renewal team. Renewal premiums increased from RMB10.9 billion in 2008 to RMB35.7 billion in 2010, with a CAGR of 81.2%. In terms of further exploring sales opportunities with our customers, our renewal team has achieved first year premiums of RMB774 million and RMB738 million in 2010 and the first six months of 2011, accounting for 7.4% and 13.7% of the first year premiums from individual insurance agent channel in each period, respectively.

***Broad and solid customer base and well-known insurance brand name in China***

*Broad and solid customer base.* As of June 30, 2011, we had approximately 24.94 million individual customers and 57,000 institutional customers. The number of our individual customers increased at a CAGR of 33.5% from 2008 to 2010. Along with the continuous enhancement of our customer service, our persistency ratios increased year by year. From 2008 to the first six months of 2011, our 13-month overall persistency ratio increased from 84.6% to 92.4% and our 25-month overall persistency ratio increased from 77.5% to 89.1%.

*One of the most well-known brand names in the PRC life insurance market.* We are well-known and have achieved an excellent brand image in the PRC insurance industry. We ranked 30th among service industry enterprises in the "Top 500 Enterprises in China", jointly sponsored by the China National Enterprise Federation and the Chinese Entrepreneur Association in 2010. We are committed to social responsibility and charity, and have proactively made education donations, helped the less privileged and provided disaster relief. In 2010, we won the "China Women's Charity Award" granted by the China Women's Development Foundation of All-China Women's Federation.

***Experienced management team with strategic vision and strong shareholder support***

*Experienced and proactive management team with strategic vision.* Our senior management team has on average of more than 15 years of management experience in the insurance and financial services industries. They are experienced, proactive and capable of making timely strategic and business decisions in response to evolving customer needs and market conditions. Our middle management team consists of general managers at our branches and departmental general managers at our headquarters. They possess strong execution capabilities in the implementation of our strategies. Most of them have more than ten years of experience in the life insurance industry. The core members of our asset management company also have rich investment experience.

*Strong support from our PRC and foreign shareholders.* Our major shareholders are renowned in their respective business areas, which contribute to our sound shareholding structure. Our largest shareholder, Huijin, plays an active and important role in improving our corporate governance and strengthening our risk management and internal control. Our domestic strategic shareholder, Baosteel Group, is one of the largest conglomerates in the PRC. Zurich Group is one of the largest insurance groups in the world and has shared with us valuable experience in actuarial practice, asset-liability management and other areas since becoming a shareholder in 2000. With our long-term relationships with our PRC and foreign shareholders, we expect to continue to benefit from their industry experience and expertise in the future.

## OUR STRATEGIES

Our objective is to capture significant opportunities arising from the rapid development of the PRC life insurance industry and to become the best life insurance focused financial services group in the PRC, providing a comprehensive range of life insurance services to our customers.

Our strategies have been formulated based on our customer-centric principle and our goal to capture the demographic trends driven by China's urbanization and aging population. Our strategies seek to maintain the sustained and stable growth of our existing business, continue the process of reengineering and enhancing our capabilities, enhance innovation, insist on value, and return to the essentials of life insurance.

### Enhance Our Existing Business

Through the following initiatives, we plan to enhance our existing business to strengthen our leading position in the PRC life insurance market and drive the growth of high-value businesses.

***Implement distinct customer-centric development strategies***

- In light of the continuing urbanization and increasing household wealth in the PRC, timely adjust our customer development strategy to continuously develop mass market customers and proactively approach affluent customers to expand our customer base; and
- In order to enhance customer loyalty and attract new customers, improve our customer experience through a customer-centric operation system based on data analysis, customer segmentation, integrated service and service evaluation.

***Implement differentiated product strategies***

- Gain an in-depth understanding of the different needs of customers in various stages of their lives and meet their insurance and wealth management needs by providing differentiated products and services; and
- Maintain the competitive advantages of our participating insurance products while diversifying and expanding our product offerings; and timely adjust our efforts in developing and selling universal life insurance, unit-linked insurance products and other new life insurance products in response to the evolving market demand.

***Pursue excellence in our distribution channels***

- Adopt differentiated distribution channels for different customer segments, continue to develop and enhance the level of expertise of our existing distribution channels;
- Continue to improve the quality, productivity and professionalism of our individual insurance agents to build an excellent agent team while strengthening their capabilities to cross-sell to institutional customers;
- Continue to promote innovation in the bancassurance channel, transform and optimize the current bancassurance models, enhance our strategic cooperation with banks and improve the profitability of our bancassurance business;
- Strengthen the management of our renewal business, enhance customer loyalty and explore further sales opportunities with our customers; and

- Focus on the evolving needs of institutional customers and enhance our group insurance business.

*Expand our geographic coverage and strengthen our branch network*

- Expand the geographic coverage of our business operations and increase the number of high-performing branch entities in our network by leveraging our successful experiences; and
- Formulate expansion plans tailored to local market conditions and their respective stages of development and develop differentiated strategies for customer acquisition, product development and distribution channels in different regions.

*Improve our asset management capabilities and enhance investment returns*

- Continue to build a professional investment team with strong capabilities, refine our investment philosophy, optimize our investment decision-making mechanism, enhance our risk management system;
- Enhance our asset-liability management and improve the asset-liability duration matching to satisfy the security, liquidity and investment return requirements of insurance funds; and
- Expand into new investment channels to diversify our investment portfolio and enhance our investment returns.

*Further enhance our operation platform, improve our operation system and increase operation efficiency*

- Optimize our operation processes by increasing relevant capital resources, including establishing an industry-leading information technology system, to better support our front-office operations;
- Optimize our organizational structure to encourage interactions between the headquarters and branch entities to enhance management efficiency; and
- Implement a centralized comprehensive budgeting process to improve cost management.

*Strengthen risk management and internal control system*

- Optimize our risk management framework, mechanism and procedures and strengthen our capabilities in managing, assessing and forewarning risks; and
- Delineate responsibilities of our departments, improve our emergency response system and strive to control and mitigate risks based on the identification and analysis of risks.

**Explore New Opportunities**

We seek to explore the core value chain of life insurance business and meet customer needs throughout their life spans by expanding into new areas such as senior care and health care, improving and expanding our distribution channels and diversifying our products. We will further optimize our business models of customer management, service and operational procedures. By successfully implementing our strategic initiatives, we aim to expand into new business areas such as senior living community, health management, medical service and nursing care when conditions allow. In particular, we plan to:

***Enter the senior care business and develop related insurance products***

- The pension insurance products and senior care business are closely related and are both important components of the life insurance value chain. We will seek to seize opportunities to develop our pension insurance products, senior care and nursing care businesses and to enhance the value of our business. We are in the process of developing certain pension insurance products and will facilitate the concurrent development of our pension and life insurance business.

***Enter the health care business and develop related insurance products***

- Roll out the "'illness coverage' plus 'health management'" business model and leverage on the synergies between our health insurance and health management businesses to facilitate the rapid growth of our health insurance business; and
- Enhance the core competitiveness and value contribution of our health insurance products and aim to become the most competitive provider of health insurance products in the PRC.

***Provide our mid- to high-end customers with integrated insurance products and solutions through our wealth management channel***

- We will seek to build a distinctive service platform and provide our mid- to high-end customers with comprehensive and customized insurance products and wealth management solutions.

***Strengthen our cooperation with large reputable enterprises***

- Strengthen our cooperation with large reputable enterprises to better serve different customer segments in response to the changing market conditions and customer needs.

***Establish online distribution channel***

- Actively promote our Internet sales operations, expand our customer base through the Internet channel that appeals to the consumption habit of the emerging consumer groups.

**Summary of Our Businesses**

According to data published by the CIRC, in terms of gross premium income (prior to adjustments made in accordance with Interpretation No. 2), our market share increased from 7.6% in 2008 and 8.2% in 2009 to 8.9% in 2010 and our ranking among all life insurance companies operating in the PRC rose from fifth in 2008 to third in 2010. For the first six and nine months of 2011, we ranked fourth in the PRC life insurance market with a market share of 9.0% and 9.7%, respectively (after adjustments made in accordance with Interpretation No. 2). We manage our investment assets mainly through New China Asset Management and had investment assets of RMB155,752 million, RMB196,747 million, RMB292,866 million and RMB334,574 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

We divide our businesses into two distinctive lines by customer types: individual life insurance and group insurance. Our individual life insurance business covers the sale of insurance products to individual customers, primarily through our individual insurance agent channel, our bancassurance channel and our wealth management channel. As of June 30, 2011, we provided life insurance products to our individual customers through a distribution network consisting of approximately 204,000 individual insurance agents throughout China. Our bancassurance channel distributes our individual life insurance products primarily through the Five Large Commercial Banks, PSB, joint-stock commercial banks and regional commercial banks in the PRC that have cooperation agreements with us. In addition, we established our wealth management department in April 2010 to provide insurance products and solutions to our mid- to high-end customers. As of June 30, 2011, 17 of our branches have established wealth management departments. We have also established a separate insurance policy renewal team, dedicated to collecting regular premiums of in-force policies, facilitating and supervising such collection and maintaining relationships with customers, as well as exploring further sales opportunities with them. Group insurance products are sold to our institutional customers by our group insurance direct sales representatives, cross-selling insurance agents and insurance intermediary agents. The following table sets forth the breakdown of GWP by customer type and distribution channel for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| Individual Life Insurance | 45,845 | 98.7% | 64,210 | 98.7% | 90,599 | 98.8% | 49,890 | 98.5% |
| through: | | | | | | | | |
| Individual insurance agent channel | 14,457 | 31.1% | 20,248 | 31.1% | 28,688 | 31.3% | 18,791 | 37.1% |
| Bancassurance channel | 31,388 | 67.6% | 43,962 | 67.6% | 61,690 | 67.3% | 30,731 | 60.7% |
| Wealth Management channel | — | — | — | — | 221 | 0.2% | 368 | 0.7% |
| Group Insurance | 608 | 1.3% | 830 | 1.3% | 1,080 | 1.2% | 772 | 1.5% |
| **Total** | **46,453** | **100.0%** | **65,040** | **100.0%** | **91,679** | **100.0%** | **50,662** | **100.0%** |

We sell six principal categories of life insurance products: traditional life insurance, participating life insurance, universal life insurance, unit-linked insurance, health insurance and accident insurance. The following table sets forth the breakdown of GWP by product category for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| Traditional life insurance | 608 | 1.3% | 630 | 1.0% | 632 | 0.7% | 328 | 0.6% |
| Participating life insurance | 42,611 | 91.7% | 60,201 | 92.6% | 85,998 | 93.8% | 47,316 | 93.4% |
| Universal life insurance | 10 | 0.0% | 18 | 0.0% | 27 | 0.0% | 16 | 0.0% |
| Unit-linked insurance(1) | 0(1) | 0.0% | 0(1) | 0.0% | 0(1) | 0.0% | 0(1) | 0.0% |
| Health insurance | 2,838 | 6.1% | 3,636 | 5.6% | 4,301 | 4.7% | 2,530 | 5.0% |
| Accident insurance | 386 | 0.8% | 555 | 0.9% | 721 | 0.8% | 473 | 0.9% |
| **Total** | **46,453** | **100.0%** | **65,040** | **100.0%** | **91,679** | **100.0%** | **50,662** | **100.0%** |

(1) The amount for each period indicated was less than RMB500,000.

We focus on selling participating insurance products that have experienced the fastest growth in the PRC life insurance market in recent years. Participating products offer both risk protection and investment returns. They combine the characteristics of traditional life insurance products and investment-type products to meet customer needs for protection, savings and investment. Currently, participating insurance products are the prevalent insurance products in the PRC life insurance market. According to the CIRC's statistics, the market share of participating insurance products in terms of gross premium income in the PRC life insurance market exceeded 90% for the first six months of 2011. In 2008, 2009, 2010 and the first six months of 2011, our participating life insurance products accounted for more than 90% of our total GWP.

Our life insurance products can be classified as either single premium products or regular premium products. GWP from regular premium products include first year regular premiums and renewal premiums. The following table sets forth the breakdown of GWP by type of premiums payment for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| First year premiums | 35,566 | 76.6% | 44,769 | 68.8% | 55,966 | 61.0% | 24,112 | 47.6% |
| of which: | | | | | | | | |
| First year regular premiums | 10,814 | 23.3% | 17,766 | 27.3% | 21,889 | 23.9% | 9,879 | 19.5% |
| Single premiums | 24,752 | 53.3% | 27,003 | 41.5% | 34,077 | 37.2% | 14,233 | 28.1% |
| Renewal premiums | 10,887 | 23.4% | 20,272 | 31.2% | 35,714 | 39.0% | 26,550 | 52.4% |
| **Total** | **46,453** | **100.0%** | **65,040** | **100.0%** | **91,679** | **100.0%** | **50,662** | **100.0%** |

We are dedicated to developing and selling long-term regular premium individual life insurance products that can help us maintain a steady source of GWP, which we believe in turn enhances the value of our business. In 2008, 2009, 2010 and the first six months of 2011, GWP from our regular premium products constituted 46.7%, 58.5%, 62.8% and 71.9% of our total GWP in the respective periods.

As single premium products satisfy the needs of certain consumers in the market, our single premium product business is also an important component of our business. In 2008, 2009, 2010 and the first six months of 2011, GWP from our single premium products constituted 53.3%, 41.5%, 37.2% and 28.1% of our total GWP in the respective periods.

During the Track Record Period, prior to the election of the fourth session of the Board in December 2009, the Board was not in operation. During this period, members of senior management of the Company and certain other managers, acting within the scope of authority conferred on them by the Articles of Association then in effect and other internal rules and regulations, were in charge of the management and operation of the Group and collectively discharged the functions and responsibilities typically entrusted to executive directors. In respect of key matters of the Company, the shareholders of the Company exercised their shareholders' rights through the Shareholders' general meetings, which were the highest authority of the Company.

We are required by CIRC regulations to maintain a solvency margin ratio commensurate with our business and risk exposures. We are required to meet the relevant solvency margin ratio requirements, failing which the CIRC may impose a range of limitations on our insurance business operations and investment activities. For example, insurance companies with solvency margin ratios of less than 100% may be subject to limitations in relation to, among others, establishment of new branch entities, distribution of dividends and investments in unsecured corporate bonds, infrastructure debt investment plans, unlisted equity securities, real estate and overseas investments. As of December 31, 2008, 2009 and 2010, June 30, 2011 and September 30, 2011, our solvency margin ratios were 27.7%, 36.2%, 35.0%, 106.1% and 86.6%, respectively. The decline of our solvency margin ratio between June 30, 2011 and September 30, 2011 was primarily due to the negative impact on the fair value of our investment assets from the volatile PRC capital markets and, to a lesser extent, the continued growth of our insurance business. We plan to improve our solvency margin ratio through various means including internal capital generation, our Global Offering and A Share Offering, and external debt financing, among others. We aim to achieve a solvency margin ratio of higher than 150% to support our business operations. See "Financial Information — Overview — Internal Factors Affecting Our Results of Operations and Financial Condition — Solvency Margin."

## Individual Life Insurance

We are a long-established and one of the largest providers of individual life insurance products in China. We have established and developed a portfolio of individual life insurance products that offer a variety of coverage tailored to the needs of different customer groups. We provide this broad range of products to our individual customers through a distribution network consisting of approximately 204,000 individual insurance agents throughout China as of June 30, 2011. We also distribute our individual life insurance products through our bancassurance channel. In addition, in April 2010, we started providing insurance products and solutions to our mid- to high-end customers through our wealth management channel. We also have a separate insurance policy renewal team, dedicated to collecting regular premiums of in-force policies, supervising such collection and maintaining relationships with customers, as well as exploring further sales opportunities with them. In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our individual life insurance business accounted for 98.7%, 98.7%, 98.8% and 98.5% of our total GWP, respectively.

### Products

We sell six principal categories of individual life insurance products to our individual customers, including traditional life insurance, participating life insurance, universal life insurance, unit-linked insurance, health insurance and accident insurance.

The following table sets forth certain financial and operating data for our principal individual life insurance product categories for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| **Traditional life insurance** | | | | | | | | |
| First year premiums | 40 | 7.2% | 68 | 12.2% | 63 | 11.7% | 49 | 16.2% |
| First year regular premiums | 28 | 5.0% | 45 | 8.1% | 34 | 6.3% | 31 | 10.2% |
| Single premiums | 12 | 2.2% | 23 | 4.1% | 29 | 5.3% | 18 | 6.0% |
| Renewal premiums | 511 | 92.8% | 487 | 87.8% | 477 | 88.3% | 252 | 83.8% |
| **Sub-total** | **550** | **100.0%** | **555** | **100.0%** | **539** | **100.0%** | **301** | **100.0%** |
| *As % of total GWP from individual life insurance* | *1.2%* | | *0.9%* | | *0.6%* | | *0.6%* | |
| **Participating life insurance** | | | | | | | | |
| First year premiums | 34,456 | 80.9% | 42,871 | 71.2% | 53,840 | 62.6% | 22,672 | 47.9% |
| First year regular premiums | 10,470 | 24.6% | 16,951 | 28.2% | 21,174 | 24.6% | 9,458 | 20.0% |
| Single premiums | 23,987 | 56.3% | 25,921 | 43.1% | 32,666 | 38.0% | 13,214 | 27.9% |
| Renewal premiums | 8,155 | 19.1% | 17,330 | 28.8% | 32,158 | 37.4% | 24,644 | 52.1% |
| **Sub-total** | **42,611** | **100.0%** | **60,201** | **100.0%** | **85,998** | **100.0%** | **47,316** | **100.0%** |
| *As % of total GWP from individual life insurance* | *92.9%* | | *93.8%* | | *94.9%* | | *94.8%* | |
| **Universal life insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 10 | 100.0% | 18 | 100.0% | 27 | 100.0% | 16 | 100.0% |
| **Sub-total** | **10** | **100.0%** | **18** | **100.0%** | **27** | **100.0%** | **16** | **100.0%** |
| *As % of total GWP from individual life insurance* | *0.0%* | | *0.0%* | | *0.0%* | | *0.0%* | |
| **Unit-linked insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 0(1) | 100.0% | 0(1) | 100.0% | 0(1) | 100.0% | 0(1) | 100.0% |
| **Sub-total(1)** | **0** | **100.0%** | **0** | **100.0%** | **0** | **100.0%** | **0** | **100.0%** |
| *As % of total GWP from individual life insurance* | *0.0%* | | *0.0%* | | *0.0%* | | *0.0%* | |
| **Health insurance** | | | | | | | | |
| First year premiums | 405 | 16.0% | 885 | 27.4% | 807 | 21.4% | 473 | 22.8% |
| First year regular premiums | 313 | 12.4% | 770 | 23.8% | 681 | 18.1% | 390 | 18.8% |
| Single premiums | 92 | 3.6% | 114 | 3.5% | 126 | 3.3% | 82 | 4.0% |
| Renewal premiums | 2,119 | 84.0% | 2,347 | 72.6% | 2,956 | 78.6% | 1,598 | 77.2% |
| **Sub-total** | **2,524** | **100.0%** | **3,231** | **100.0%** | **3,762** | **100.0%** | **2,071** | **100.0%** |
| *As % of total GWP from individual life insurance* | *5.5%* | | *5.0%* | | *4.2%* | | *4.2%* | |
| **Accident insurance** | | | | | | | | |
| First year premiums | 133 | 89.1% | 186 | 90.4% | 249 | 91.2% | 172 | 92.4% |
| First year regular premiums | 0(1) | 0.0% | 0(1) | 0.0% | — | — | — | — |
| Single premiums | 133 | 89.1% | 186 | 90.4% | 249 | 91.2% | 172 | 92.4% |
| Renewal premiums | 16 | 10.9% | 20 | 9.6% | 24 | 8.8% | 14 | 7.6% |
| **Sub-total** | **149** | **100.0%** | **205** | **100.0%** | **273** | **100.0%** | **187** | **100.0%** |
| *As % of total GWP from individual life insurance* | *0.3%* | | *0.3%* | | *0.3%* | | *0.4%* | |
| **Total** | | | | | | | | |
| First year premiums | 35,034 | 76.4% | 44,009 | 68.5% | 54,958 | 60.7% | 23,365 | 46.8% |
| First year regular premiums | 10,810 | 23.6% | 17,766 | 27.7% | 21,889 | 24.2% | 9,879 | 19.8% |
| Single premiums | 24,224 | 52.8% | 26,243 | 40.9% | 33,069 | 36.5% | 13,487 | 27.0% |
| Renewal premiums | 10,811 | 23.6% | 20,201 | 31.5% | 35,642 | 39.3% | 26,524 | 53.2% |
| **GWP** | **45,845** | **100.0%** | **64,210** | **100.0%** | **90,599** | **100.0%** | **49,890** | **100.0%** |

(1) The amount for each period indicated was less than RMB500,000.

***Traditional Life Insurance***

Our traditional life insurance products primarily include products of whole life insurance, term life insurance, endowment life insurance and annuities. In 2008, 2009, 2010 and the first six months of 2011, GWP from our individual traditional life insurance products accounted for approximately 1.2%, 0.9%, 0.6% and 0.6% of the GWP received by our individual life insurance business, respectively.

*Whole Life Insurance*

Our whole life insurance products typically provide insurance for the insured's entire life. The sum assured under the policy is paid upon the death of the insured party. Because of the long duration in policy terms, whole life insurance products possess savings features in addition to the cash value they carry. Upon early termination of the whole life insurance policy, we pay a cash surrender value to the policyholder.

*Term Life Insurance*

Our term life insurance products typically provide death insurance protection for a defined period. The sum assured under the policy is paid to the beneficiary or beneficiaries if death occurs during the period of coverage.

*Endowment Life Insurance*

Our endowment life insurance products typically provide various guaranteed benefits to the insured party if the insured party survives specified maturity dates or periods, as well as guaranteed benefits to the beneficiary or beneficiaries of a policy upon the death of the insured party within the coverage period.

*Annuities*

Our annuity products typically provide guaranteed level of payments to the annuitant during the payoff period specified in the annuity contracts in exchange for the single or regular payment of premiums. Generally, annuity products do not allow surrender during the annuity payment period.

***Participating Life Insurance***

In addition to providing life protection and savings benefits offered by traditional life insurance products, our participating life insurance products entitle policyholders to benefit from a share of distributable surplus. The CIRC requires that the benefit allocated to the policyholders by PRC life insurance companies in each fiscal year shall not be lower than 70% of the annual distributable surplus generated by participating insurance products. Participating products offer both risk protection and investment returns. They have proved to be popular among our customers since they combine the characteristics of traditional life insurance products and investment-type products to meet customer needs for protection, savings and investment. Further, since the CIRC has prescribed a cap of 2.5% on the pricing interest rate of both traditional and participating life insurance products, participating insurance products are considered to be more attractive as it has a profit share component in addition to the predetermined return component.

Our business is centered on our participating life insurance products. Our participating life insurance products primarily include participating whole life insurance, participating endowment life insurance and participating annuity life insurance. For detailed descriptions of different types of products, see "— Traditional Life Insurance" above. Each of these participating products can have different terms and risk profiles.

In addition, the design of our participating life insurance products differentiates us from most of the other large insurance companies in the PRC. Our participating products are mainly "reversionary bonus participating" products in which dividends are added to the sum insured rather than paid in cash to the policyholders. Consequently, the policyholder will enjoy an increasing level of protection throughout the duration of the policy term, together with a higher maturity or annuity benefit. Since these products allow customers to enjoy increasing protection without additional underwriting processes, they are highly attractive to policyholders and contribute to greater customer loyalty.

Compared to the cash distribution method, our dividend distribution method may decrease our costs relating to managing dividends and allow us to retain more cash within our insurance funds. However, such method, over time, increases the capital needed to support our business and increases risks which an insurance company takes on. In order to reduce such risks, in practice, we adopt a combination of the distribution method described above with a "terminal dividend." The terminal dividend takes the form of an additional cash payment awarded and paid when the policy terminates. Thus we distribute dividends through a combination of bonuses awarded during the policy term and a cash payment on termination.

In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our participating life insurance products accounted for approximately 92.9%, 93.8%, 94.9% and 94.8% of the GWP generated from our individual life insurance business, respectively.

***Universal Life Insurance***

Our universal life insurance products offer policyholders insurance protection as well as individual accounts with minimum guaranteed crediting interest rates.

Our universal life insurance contracts are composed of the insurance components and the non-insurance components. Proceeds allocated to the insurance components are recognized as GWP. Proceeds allocated to the non-insurance components are recognized as investment contract liabilities. Management fees charged in relation to investment contract liabilities are recognized as policy fees.

GWP from our individual universal life insurance products accounted for a small portion of the GWP generated from our individual life insurance business in 2008, 2009, 2010 and the first six months of 2011. We commenced selling universal life insurance products in 2005 through our bancassurance channel, and in Shanghai and Guangdong and other more developed coastal areas in China in 2008 through our individual insurance agent channel. From 2008 to 2009, due to the changes in customer demand and market condition and PRC regulatory authorities' guidance and recommendation that life insurance companies should focus more on protection-type rather than on investment-type insurance products, we temporarily suspended the promotion of the sales of our universal life insurance products. Based on customer demand, we intend to make appropriate adjustments to the proportion of universal life insurance products in our product offerings and our marketing efforts for these products.

***Unit-linked Insurance***

Our unit-linked insurance products are insurance products in which the policyholder pays flexible premiums that are allocated in one or several investment accounts without guaranteed investment return. Our unit-linked insurance products provide a combination of investment and protection features and various investment accounts may have different investment strategies.

Our unit-linked insurance contracts are composed of the insurance components and the non-insurance components. Proceeds allocated to the insurance components are recognized as GWP. Proceeds allocated to the non-insurance components are recognized as investment contract liabilities. Management fees charged in relation to investment contract liabilities are recognized as policy fees.

GWP from our individual unit-linked insurance products accounted for a small portion of the GWP generated from our individual life insurance business in each of 2008, 2009, 2010 and the first six months of 2011. Based on customer demand, we intend to continue adjusting the proportion of unit-linked insurance products in our product offerings.

### *Health Insurance*

Our health insurance products generally provide disease insurance protection and medical benefits during the policy period. A majority of our health insurance products are long-term health insurance policies with premium payment periods ranging from 10 to 30 years, as well as whole life health insurance policies. In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our individual health insurance products accounted for approximately 5.5%, 5.0%, 4.2% and 4.2% of the GWP generated from our individual life insurance business, respectively.

Currently, we have a relatively comprehensive portfolio of health insurance products consisting of both short-term and long-term products. In particular, we offer our individual customers a variety of critical illness insurance products. We offered eight such products as of June 30, 2011. Additionally, to meet the needs for health insurance products in the PRC life insurance market, we launched two innovative cancer insurance products in 2010, which track and provide medical coverage for customers based on the distinct protection features throughout the entire duration of the illness, from onset of the illness until death. We plan to further expand our health insurance business in the future. See "Business — Our Strategies — Explore New Opportunities".

### *Accident Insurance*

Our accident insurance products generally provide benefits in the event of death or disability of the insured party as a result of an accident during the policy period. We primarily offer short-term accident insurance products. During each of 2008, 2009, 2010 and the first six months of 2011, GWP from our individual accident insurance products accounted for approximately 0.3%, 0.3%, 0.3% and 0.4% of the GWP from our individual life insurance business.

### Distribution Channels

We primarily sell our individual life insurance products to our individual customers through three distribution channels: individual insurance agent channel, bancassurance channel and wealth management channel. The following table sets forth certain financial and operating data for our individual life insurance distribution channels for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| **Individual insurance agent channel** | | | | | | | | |
| First year premiums | 5,138 | 35.5% | 7,299 | 36.0% | 10,418 | 36.3% | 5,374 | 28.6% |
| First year regular premiums | 4,706 | 32.6% | 6,721 | 33.2% | 9,526 | 33.2% | 4,907 | 26.1% |
| Single premiums | 432 | 3.0% | 578 | 2.9% | 893 | 3.1% | 467 | 2.5% |
| Renewal premiums | 9,319 | 64.5% | 12,949 | 64.0% | 18,270 | 63.7% | 13,417 | 71.4% |
| **Sub-total** | **14,457** | **100.0%** | **20,248** | **100.0%** | **28,688** | **100.0%** | **18,791** | **100.0%** |
| **Bancassurance channel** | | | | | | | | |
| First year premiums | 29,896 | 95.2% | 36,710 | 83.5% | 44,318 | 71.8% | 17,624 | 57.3% |
| First year regular premiums | 6,104 | 19.4% | 11,044 | 25.1% | 12,214 | 19.8% | 4,705 | 15.3% |
| Single premiums | 23,792 | 75.8% | 25,666 | 58.4% | 32,105 | 52.0% | 12,920 | 42.0% |
| Renewal premiums | 1,491 | 4.8% | 7,253 | 16.5% | 17,372 | 28.2% | 13,107 | 42.7% |
| **Sub-total** | **31,388** | **100.0%** | **43,962** | **100.0%** | **61,690** | **100.0%** | **30,731** | **100.0%** |
| **Wealth Management channel** | | | | | | | | |
| First year premiums | — | — | — | — | 221 | 100.0% | 368 | 100.0% |
| First year regular premiums | — | — | — | — | 150 | 67.6% | 267 | 72.7% |
| Single premiums | — | — | — | — | 72 | 32.4% | 100 | 27.3% |
| Renewal premiums | — | — | — | — | — | — | — | — |
| **Sub-total** | **—** | **—** | **—** | **—** | **221** | **100.0%** | **368** | **100.0%** |
| **Total** | | | | | | | | |
| Individual insurance agent channel | 14,457 | 31.5% | 20,248 | 31.5% | 28,688 | 31.7% | 18,791 | 37.7% |
| Bancassurance channel | 31,388 | 68.5% | 43,962 | 68.5% | 61,690 | 68.1% | 30,731 | 61.6% |
| Wealth Management channel | — | — | — | — | 221 | 0.2% | 368 | 0.7% |
| **GWP** | **45,845** | **100.0%** | **64,210** | **100.0%** | **90,599** | **100.0%** | **49,890** | **100.0%** |

#### *Individual Insurance Agent Channel*

We provide a broad range of diversified life insurance products to our individual customers through a distribution network consisting of approximately 204,000 individual insurance agents throughout China as of June 30, 2011. In addition, our insurance policy renewal team consists of approximately 15,000 members dedicated to collecting regular premiums of in-force policies and supervising such collection, maintaining relationships with customers, as well as exploring further sales opportunities with them. First year premiums generated by our renewal team are included in the total GWP from our individual insurance agent channel. In 2008, 2009, 2010 and the first six months of 2011, GWP from our individual insurance agent channel accounted for 31.5%, 31.5%, 31.7% and 37.7% of the GWP from our individual life insurance business, respectively.

We primarily sell traditional life insurance, participating life insurance, health insurance and accident insurance products, together with certain universal insurance and unit-linked insurance products through our individual insurance agent channel. Our individual insurance agent channel focuses on long-term regular premium individual life insurance products. In 2008, 2009, 2010 and the first six months of 2011, first year regular premiums accounted for 91.6%, 92.1%, 91.4% and 91.3% of the total first year premiums, respectively, through our individual insurance agent channel, which puts us in a competitive position with other leading publicly listed life insurance companies in the PRC. The following table sets forth the breakdown of GWP generated through our individual insurance agent channel by product and premium payment type, for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| **Traditional life insurance** | | | | | | | | |
| First year premiums | 40 | 7.4% | 68 | 12.5% | 63 | 11.9% | 49 | 16.5% |
| First year regular premiums | 28 | 5.1% | 45 | 8.3% | 34 | 6.5% | 31 | 10.4% |
| Single premiums | 12 | 2.3% | 23 | 4.2% | 29 | 5.5% | 18 | 6.1% |
| Renewal premiums | 497 | 92.6% | 474 | 87.5% | 465 | 88.1% | 246 | 83.5% |
| **Sub-total** | **537** | **100.0%** | **542** | **100.0%** | **528** | **100.0%** | **295** | **100.0%** |
| **Participating life insurance** | | | | | | | | |
| First year premiums | 4,561 | 40.5% | 6,163 | 37.9% | 9,303 | 38.6% | 4,683 | 28.8% |
| First year regular premiums | 4,366 | 38.8% | 5,908 | 36.3% | 8,813 | 36.5% | 4,489 | 27.7% |
| Single premiums | 194 | 1.7% | 255 | 1.6% | 490 | 2.0% | 194 | 1.2% |
| Renewal premiums | 6,689 | 59.5% | 10,103 | 62.1% | 14,812 | 61.4% | 11,550 | 71.2% |
| **Sub-total** | **11,249** | **100.0%** | **16,266** | **100.0%** | **24,115** | **100.0%** | **16,233** | **100.0%** |
| **Universal life insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 1 | 100.0% | 9 | 100.0% | 18 | 100.0% | 11 | 100.0% |
| **Sub-total** | **1** | **100.0%** | **9** | **100.0%** | **18** | **100.0%** | **11** | **100.0%** |
| **Unit-linked insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 0(1) | 100.0% | — | — | 0(1) | 100.0% | 0(1) | 100.0% |
| **Sub-total** | **0(1)** | **100.0%** | **—** | **—** | **0(1)** | **100.0%** | **0(1)** | **100.0%** |
| **Health insurance** | | | | | | | | |
| First year premiums | 404 | 16.0% | 882 | 27.3% | 804 | 21.4% | 470 | 22.7% |
| First year regular premiums | 312 | 12.4% | 768 | 23.8% | 678 | 18.1% | 388 | 18.8% |
| Single premiums | 92 | 3.6% | 114 | 3.5% | 126 | 3.3% | 82 | 4.0% |
| Renewal premiums | 2,117 | 84.0% | 2,344 | 72.7% | 2,951 | 78.6% | 1,596 | 77.3% |
| **Sub-total** | **2,521** | **100.0%** | **3,227** | **100.0%** | **3,755** | **100.0%** | **2,065** | **100.0%** |
| **Accident insurance** | | | | | | | | |
| First year premiums | 133 | 89.4% | 186 | 90.6% | 249 | 91.4% | 172 | 92.5% |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | 133 | 89.4% | 186 | 90.6% | 249 | 91.4% | 172 | 92.5% |
| Renewal premiums | 16 | 10.6% | 19 | 9.4% | 23 | 8.6% | 14 | 7.5% |
| **Sub-total** | **149** | **100.0%** | **205** | **100.0%** | **272** | **100.0%** | **186** | **100.0%** |
| **Total** | | | | | | | | |
| First year premiums | 5,138 | 35.5% | 7,299 | 36.0% | 10,418 | 36.3% | 5,374 | 28.6% |
| First year regular premiums | 4,706 | 32.6% | 6,721 | 33.2% | 9,526 | 33.2% | 4,907 | 26.1% |
| Single premiums | 432 | 3.0% | 578 | 2.9% | 893 | 3.1% | 467 | 2.5% |
| Renewal premiums | 9,319 | 64.5% | 12,949 | 64.0% | 18,270 | 63.7% | 13,417 | 71.4% |
| **GWP** | **14,457** | **100.0%** | **20,248** | **100.0%** | **28,688** | **100.0%** | **18,791** | **100.0%** |

(1) The amount for each period indicated was less than RMB500,000.

With respect to our regular premium products sold through individual insurance agent channel, we typically offer products with premium payment period ranging from three to 30 years. Most of our regular premium products have premium payment period of five years or above. In particular, premiums from products with premium payment period of 20 years or above accounted for a large proportion of our total first year regular premiums. The following table sets forth the breakdown, by premium payment period, of first year regular premiums through our individual insurance agent channel, for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **First year regular premiums** | | | | | | | | |
| Regular premiums within 5 years (excluding 5 years) | 54 | 1.2% | 142 | 2.1% | 71 | 0.7% | 16 | 0.3% |
| Regular premiums of 5 years or above | 4,652 | 98.8% | 6,579 | 97.9% | 9,455 | 99.3% | 4,891 | 99.7% |
| of which: | | | | | | | | |
| — regular premiums of 10 years or above | 4,134 | 87.8% | 5,136 | 76.4% | 4,659 | 48.9% | 3,334 | 67.9% |
| — regular premiums of 20 years or above | 3,536 | 75.1% | 4,236 | 63.0% | 3,649 | 38.3% | 2,271 | 46.3% |
| **Total** | **4,706** | **100.0%** | **6,721** | **100.0%** | **9,526** | **100.0%** | **4,907** | **100.0%** |

In 1996, we formally established an individual insurance agent system for the distribution of our individual life insurance products. These individual insurance agents are not our employees but typically enter into exclusive agency agreements for selling insurance policies for us for a term of two years, which are automatically renewable upon expiration. Under the PRC Insurance Law and relevant regulations, individual insurance agents are prohibited from concurrently entering into agency agreements with more than one life insurance company for the purpose of selling insurance policies.

The following table sets forth the number of our individual insurance agents as of the dates indicated and certain indicators of their productivity for the periods indicated:

| | As of or for the year ended December 31, | | | As of or for the six months ended June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Number of individual insurance agents | | | | |
| — Total | 193,580 | 226,776 | 198,771 | 204,380 |
| — High performing[(1)] | 26,316 | 32,886 | 36,393 | 40,465 |
| Average monthly first year premiums per agent[(2)] (RMB) | 2,808 | 2,746 | 3,968 | 4,155 |
| New life insurance policies per agent per month[(2)] | 1.04 | 0.86 | 0.75 | 0.86 |

(1) The number of high performing individual insurance agents for a reporting period is 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, which has not been surrendered within one month of being underwritten, with a payment term of more than one year and with standard premiums of no less than RMB5,000 or RMB8,000 (depending on branch location), by the number of months in the reporting period. 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.

(2) Short-term accident insurance and health insurance policies with a term of one year or less are excluded.

As of June 30, 2011, we had approximately 204,000 individual insurance agents in 1,477 branch entities throughout China. The number of our individual insurance agents decreased from

December 31, 2009 to December 31, 2010 primarily due to our efforts to streamline our individual insurance agent team through the termination of under-performing individual insurance agents. In addition, increasingly intense competition in the PRC insurance industry since 2010 resulted in a decrease in the total number of our individual insurance agents. However, the total number of our individual insurance agents increased from 198,771 as of December 31, 2010 to 204,380 as of June 30, 2011, as a result of our effort to increase the agent force in 2011.

Since 2007, we have expanded our efforts to build a standardized recruiting system and sought to provide our individual insurance agents with high-quality training, sales support and career planning consultation. As of June 30, 2011, we had approximately 930 full-time training lecturers, 7,730 part-time training lecturers and 2,730 employees engaged in daily management of sales and training of new staff. We have adopted systematic and differentiated training methodologies. In order to develop the knowledge and capabilities of our individual insurance agents, we tailor our training programs according to their different qualifications and experience.

We have implemented a comprehensive system of compensation for our individual insurance agents. For individual insurance agents who have demonstrated outstanding performance, we also provide retirement subsidies, accident insurance and medical insurance. Moreover, we have held sales competitions to motivate our individual insurance agents, established an honoring system in both our headquarters and our branches to reward outstanding performers and encourage them to share their experiences.

In order to provide attentive services to our customers and improve the productivity of our individual insurance agents, we also offer them a broad range of back-up support through our operation system, call centers and our information technology system.

***Bancassurance Channel***

The bancassurance channel is one of the primary distribution channels for our individual life insurance business. Since 1999, we have offered life insurance products primarily through the Five Large Commercial Banks, PSB, joint-stock commercial banks and regional commercial banks in the PRC, and have experienced rapid growth in this distribution channel. We will continue to dedicate resources toward developing our bancassurance business, particularly in the more economically developed cities. We believe that cooperation with these banks presents us with opportunities to establish contacts with new customers and access these banks' branch network to expand our market reach. Our bancassurance account managers also proactively respond to customer needs for insurance products, financial management and other financial services. We provide products and services at the bancassurance outlets with which we collaborate and provide such bancassurance outlets with trainings and comprehensive support, thereby increasing the attractiveness of our products. In 2008, 2009, 2010 and the first six months of 2011, GWP generated through our bancassurance channel accounted for 68.5%, 68.5%, 68.1% and 61.6% of the total GWP received by our individual life insurance business, respectively.

We mainly sell our participating life insurance products, which include both single premium and regular premium products, through the bancassurance channel. We were one of the first PRC insurance companies to launch regular premium participating products through the bancassurance channel and one of the first to sell these products on a large scale. Through the bancassurance channel we have also offered certain traditional life insurance, unit-linked insurance, universal life insurance and accident and health insurance products. From 2008 to 2009, we temporarily suspended the promotion of our universal life insurance and unit-linked insurance products through the bancassurance channel, in response to the CIRC's recommendations to significantly develop protection-type insurance products.

Our bancassurance channel focuses on regular premium products. We believe we were among first in the PRC life insurance market to introduce regular premium products to the bancassurance channel. In 2008, 2009, 2010 and the first six months of 2011, first year regular premiums accounted for 20.4%, 30.1%, 27.6% and 26.7% of our total first year premiums, respectively, generated through this channel.

The following table sets forth the breakdown of the GWP generated through the bancassurance channel by product type and premium payment type, for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| **Traditional life insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 14 | 100.0% | 13 | 100.0% | 13 | 100.0% | 6 | 100.0% |
| **Sub-total** | **14** | **100.0%** | **13** | **100.0%** | **13** | **100.0%** | **6** | **100.0%** |
| **Participating life insurance** | | | | | | | | |
| First year premiums | 29,896 | 95.3% | 36,708 | 83.6% | 44,317 | 71.9% | 17,624 | 57.4% |
| First year regular premiums | 6,103 | 19.5% | 11,042 | 25.1% | 12,213 | 19.8% | 4,704 | 15.3% |
| Single premiums | 23,792 | 75.9% | 25,666 | 58.4% | 32,105 | 52.1% | 12,920 | 42.1% |
| Renewal premiums | 1,467 | 4.7% | 7,227 | 16.4% | 17,346 | 28.1% | 13,094 | 42.6% |
| **Sub-total** | **31,362** | **100.0%** | **43,935** | **100.0%** | **61,663** | **100.0%** | **30,718** | **100.0%** |
| **Universal life insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 9 | 100.0% | 10 | 100.0% | 9 | 100.0% | 4 | 100.0% |
| **Sub-total** | **9** | **100.0%** | **10** | **100.0%** | **9** | **100.0%** | **4** | **100.0%** |
| **Unit-linked insurance** | | | | | | | | |
| First year premiums | — | — | — | — | — | — | — | — |
| First year regular premiums | — | — | — | — | — | — | — | — |
| Single premiums | — | — | — | — | — | — | — | — |
| Renewal premiums | 0(1) | 100.0% | 0(1) | 100.0% | 0(1) | 100.0% | 0(1) | 100.0% |
| **Sub-total** | **0(1)** | **100.0%** | **0(1)** | **100.0%** | **0(1)** | **100%** | **0(1)** | **100.0%** |
| **Health insurance** | | | | | | | | |
| First year premiums | 1 | 33.9% | 2 | 48.4% | 1 | 23.4% | 0(1) | 11.9% |
| First year regular premiums | 1 | 27.7% | 2 | 44.4% | 1 | 22.4% | 0(1) | 11.3% |
| Single premiums | 0(1) | 6.2% | 0(1) | 4.0% | 0(1) | 1.0% | 0(1) | 0.5% |
| Renewal premiums | 2 | 66.1% | 2 | 51.6% | 4 | 76.6% | 3 | 88.1% |
| **Sub-total** | **3** | **100.0%** | **5** | **100.0%** | **5** | **100.0%** | **3** | **100.0%** |
| **Accident insurance** | | | | | | | | |
| First year premiums | 0(1) | 2.8% | 0(1) | 0.9% | — | — | — | — |
| First year regular premiums | 0(1) | 2.7% | 0(1) | 0.2% | — | — | — | — |
| Single premiums | 0(1) | 0.1% | 0(1) | 0.7% | — | — | — | — |
| Renewal premiums | 0(1) | 97.2% | 0(1) | 99.1% | 0(1) | 100.0% | 0(1) | 100.0% |
| **Sub-total** | **0(1)** | **100.0%** | **0(1)** | **100.0%** | **0(1)** | **100.0%** | **0(1)** | **100.0%** |
| **Total** | | | | | | | | |
| First year premiums | 29,896 | 95.2% | 36,710 | 83.5% | 44,318 | 71.8% | 17,624 | 57.3% |
| First year regular premiums | 6,104 | 19.4% | 11,044 | 25.1% | 12,214 | 19.8% | 4,705 | 15.3% |
| Single premiums | 23,792 | 75.8% | 25,666 | 58.4% | 32,105 | 52.0% | 12,920 | 42.0% |
| Renewal premiums | 1,491 | 4.8% | 7,253 | 16.5% | 17,372 | 28.2% | 13,107 | 42.7% |
| **GWP** | **31,388** | **100.0%** | **43,962** | **100.0%** | **61,690** | **100.0%** | **30,731** | **100.0%** |

(1) The amount for each period indicated was less than RMB500,000.

Our bancassurance channel has focused on optimizing the structure for regular premium products, and we have shifted our emphasis from short-term regular premium products to long-term premium products. In 2008, 2009, 2010 and the first six months of 2011, first year premiums from our regular premium products with terms of five years or above accounted for 55.1%, 88.0%, 90.9% and 79.7% of the total first year regular premiums through our bancassurance channel, respectively. The following table sets forth the breakdown of first year regular premiums generated through the bancassurance channel by premium payment period for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | | | | | |
| **First year regular premiums** | | | | | | | | |
| Regular premiums within 5 years (excluding 5 years) | 2,743 | 44.9% | 1,328 | 12.0% | 1,115 | 9.1% | 954 | 20.3% |
| Regular premiums of 5 years or above | 3,361 | 55.1% | 9,716 | 88.0% | 11,099 | 90.9% | 3,751 | 79.7% |
| **Total** | **6,104** | **100.0%** | **11,044** | **100.0%** | **12,214** | **100.0%** | **4,705** | **100.0%** |

As of June 30, 2011, we cooperated with over 25,000 bancassurance outlets. Pursuant to our cooperation agreements, our products are sold to the customers by these banks' employees in their branches and outlets in exchange for commissions that we pay to these banks. The terms of such agreements generally range from one to three years and contain automatic renewal provisions. As many of these banks possess extensive distribution networks in China, these cooperations extend our presence to most of the provinces, autonomous regions and directly-administered municipalities in the PRC.

In practice, among all of our bancassurance outlets, the effective outlets are more important to the growth of our bancassurance channel's business. Typically, after establishing a cooperative partnership with a bank, we focus on increasing the number of effective outlets that effectively generate premiums. The following table sets forth the number of our effective bancassurance outlets as of the dates indicated:

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Effective bancassurance outlets(1) | 14,865 | 20,192 | 20,533 | 15,054 |

(1) The number of effective bancassurance outlets for a reporting period is calculated by dividing the sum of the numbers of bancassurance outlets that have issued at least one in-force policy each month by the number of months in that particular reporting period.

Our cooperation agreements with banks are non-exclusive, and the participating banks may sell the products of other insurance companies. We have implemented a number of measures to encourage these bancassurance outlets to sell our insurance products with preference over those of other insurance companies. These measures include (i) providing banks with a series of distinctive reversionary bonus participating products, (ii) providing tailored products for certain banks (for example Hongshuangxijinfugui ("紅雙喜金富貴") for Industrial and Commercial Bank of China, Hongshuangxixilaishun ("紅雙喜喜來順") for Agricultural Bank of China, and Hongshuangxixifuhui ("紅雙喜喜福匯") for China Construction Bank), (iii) providing training programs on product features and sales techniques to bank employees, (iv) providing timely service assistance to bank personnel and developing, and (v) implementing an information processing system with the banks that is integrated with our core business information technology system.

As of June 30, 2011, we had approximately 15,000 bancassurance account managers, who are responsible for providing support to the bancassurance outlets. These bancassurance account managers are our employees and provide trainings and support to the banks' employees regarding our products and sales techniques. Currently, the CIRC requires a bancassurance account manager to obtain an Insurance Professional Qualification Certificate issued by the CIRC before engaging in bancassurance business. In addition, to further enhance the quality of our bancassurance account manager team, we also voluntarily implemented a more professional and comprehensive Bancassurance Financial Planner, or BFP, certification system. As of December 31, 2008, 2009, 2010 and June 30, 2011, approximately 1,500, 4,000, 5,500 and 6,800 of our bancassurance account managers have obtained our BFP certification, respectively, demonstrating significant annual increases. Furthermore, we emphasize on the service quality of our bancassurance account managers.

The following table sets forth the number of our bancassurance account managers as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Bancassurance account managers | 11,623 | 16,199 | 17,096 | 14,978 |

On November 1, 2010, the CBRC issued the Notice on Further Strengthening Compliant Sales and Risk Management of Commercial Bank's Bancassurance Business, or Notice No. 90, which prohibits banks in the PRC from allowing insurance company staff to be stationed in any bank outlet to sell insurance products. Notice No. 90 also stipulates that each commercial bank outlet may cooperate with no more than three insurance companies for its bancassurance business and if more than three, the bank shall operate the bancassurance business with prudence, and shall report to the local branch office of the CBRC. On March 7, 2011, the CIRC and the CBRC jointly issued the Regulatory Guidelines for Bancassurance Business of Commercial Banks, or the Bancassurance Guidelines, which further stipulate that (i) in principle, bancassurance cooperation agreements should be entered into between the respective headquarters of a commercial bank and an insurance company (If such agreements need to be entered into between the respective tier-one branches of a commercial bank and an insurance company, a prior written authorization must be obtained from the respective headquarters and such agreements must be filed with these headquarters in a timely manner after execution); (ii) any bank outlet must obtain the relevant permits from the CIRC and authorization from the relevant tier-one branch of the bank before commencing bancassurance business and (iii) bancassurance account managers of insurance companies must obtain the Insurance Professional Qualification Certificate issued by the CIRC before engaging in bancassurance business.

The Bancassurance Guidelines further stipulate that the existing bancassurance cooperation agreements between banks and insurance companies that do not comply with the Bancassurance Guidelines must be modified no later than March 31, 2011. See "Risk Factors — Risks Relating to Our Company — The termination of, or any adverse change to, our arrangements with our bancassurance partners in the PRC may have a material adverse effect on our business, results of operations and financial condition." Since March 31, 2011 and up to the Latest Practicable Date, our cooperation agreements with banks complied with the Bancassurance Guidelines. As of November 2010, when Notice No. 90 became effective, we had 15 in-force cooperation agreements between our headquarters and the headquarters of banks. As of September 30, 2011, of these 15 agreements, 13 still remained in force and two had been terminated. One of the terminated agreements is currently in the process of being renegotiated. With four agreements newly entered into since the issuance of Notice No. 90, our headquarters had a total of 17 cooperation agreements with headquarters of banks as of September 30, 2011.

In order to ensure compliance with the Bancassurance Guidelines, we issued an internal circular to disseminate the Bancassurance Guidelines to all our branches on April 2, 2011, which requires our branch entities to strictly comply with the Bancassurance Guidelines and specifically states that our branch entities are prohibited from stationing their staff at banks to conduct sales activities. In compliance with the requirements of the Notice No. 90, we have ceased stationing our insurance staff at bancassurance outlets. Our bancassurance account managers only provide training and support at each bancassurance outlet while all insurance policies are sold by bank staff. After the initial sale of an insurance policy, we assess the quality of the sale using indicators such as the success rate of the return visit calls during the cooling-off period, the frequency of customer complaints and error rate in documentation management. Furthermore, the quality of the insurance policies sold at the bancassurance outlet for which a bancassurance account manager is responsible is a key criterion we use to evaluate the performance of the bancassurance account manager. The result of such evaluation is tied to the bancassurance manager's compensation and promotion. In case of major quality incidents such as major sales misrepresentation, the responsible staff will be disciplined.

The internal circular also reiterated the requirements regarding bancassurance cooperation agreements and the requirement of obtaining the Insurance Professional Qualification Certificate by bancassurance account managers. Our headquarters and branches have proactively taken a number of measures for the rectification of our Insurance Professional Qualification Certificate non-compliance. As of October 31, 2011, about 1% of our approximately 15,000 bancassurance account managers had not yet obtained the Insurance Professional Qualification Certificate. The primary reason is that certain bancassurance staff failed to timely renew their certificates because renewing such certificates may take as long as two months in certain regions. See "Risk Factors — A portion of our individual insurance agents and bancassurance account managers have not obtained the required qualifications. Consequently, our business, results of operations and financial condition may be materially and adversely affected."

Our headquarters and branches will continue to rectify in order to ensure 100% of our bancassurance account managers to obtain the Insurance Professional Qualification Certificate in compliance with the Bancassurance Guidelines through such measures including (i) enhancing control through our information system such that the bancassurance manager who has not obtained the required certificate can not be included in our bancassurance personnel roster and thus can not engage in bancassurance business; (ii) strengthening on-site and off-site supervision by publishing qualification rate every month and collecting information regarding unqualified staff from the branch entities and requiring such branch entities to achieve 100% qualification within a specific period; and (iii) enhancing performance assessments by including the attainment of the Insurance Professional Qualification Certificate as part of the assessment of staff performance. We have also enhanced training of bancassurance account managers to help them obtain the qualification certificates.

As of the Latest Practicable Date, the Company complied with the provisions of the Bancassurance Guidelines in all material aspects.

Notice No. 90 and the Bancassurance Guidelines have had a negative short-term impact on our bancassurance business. The number of our effective bancassurance outlets decreased to 15,054 as of June 30, 2011 from 20,533 as of December 31, 2010, and the monthly first year premiums per outlet unit[1] decreased to RMB165,100 for the first six months of 2011 from RMB181,400 for 2010, primarily due to the effects caused by Notice No. 90 and the Bancassurance Guidelines. Renewal premiums have become a significant contributor to our GWP generated

(1) First year premiums per outlet unit is the first year premiums from the bancassurance channel in the period/[(the number of effective outlets at the beginning of the period plus the number of effective outlets at the end of the period)/2]/the number of months in the period.

from our bancassurance channel as a result of our long-term commitment to the regular premium business. Our monthly GWP per outlet unit(1) increased to RMB287,900 for the first six months of 2011 from RMB252,500 for 2010.

We have adopted various measures in response, including identifying important partner banks and enhancing the relationships with their respective headquarters, enhancing the management of effective outlets, enhancing the training of bank counter staff, building a highly capable and elite team with strong capabilities in maintaining relationships with bank outlets, training and customer management, building an experienced group of trainers and enhancing the quality of our services. Since June 2011 and up to the Latest Practicable Date, our bancassurance business has improved. According to data published by the CIRC, for the first nine months of 2011, our gross premium income reached RMB74,361 million, representing a market share of 9.7% and a 0.7 percentage point increase from our market share for the first six months of 2011. This was primarily due to the growth in premiums from our bancassurance channel after the implementation of the above new measures. In the long term, if we continue to successfully implement our initiatives to facilitate the transformation of our bancassurance channel, we believe that the effect from the negative short-term impact of Notice No. 90 and the Bancassurance Guidelines will be minimized.

***Wealth Management Channel***

In April 2010, consistent with the scope of business permitted under our existing insurance sales license, we established a wealth management department through which we provide our mid- to high-end customers with customized insurance products and solutions. As of June 30, 2011, 17 of our branches had started operation through such channel. As personal wealth continues to accumulate in China, we believe that there is substantial growth potential for life insurance products and solutions aimed at mid- to high-end customers. At present, we mainly target mid-level to senior management personnel of large enterprises, professionals and equity owners of law firms, accounting firms and other professional service firms, and entrepreneurs and owners of private enterprises as our mid- to high-end customers. In 2010 and the first six months of 2011, GWP generated from insurance products sold through our wealth management channel totaled RMB221 million and RMB368 million, respectively, with first year regular premiums accounting for RMB150 million and RMB267 million, or 67.6% and 72.7%, respectively, of those total amounts. GWP generated from our wealth management channel represented 0.2% and 0.7% of our total GWP in 2010 and the first six months of 2011, respectively.

We currently cooperate with several PRC joint-stock commercial banks and foreign banks as these banks can provide us with access to their mid- to high-end customers, which can help us achieve our strategic objective for the wealth management channel. Through these banks we offer customized insurance products and solutions to strengthen our market position. In major Chinese cities, including Beijing, Shanghai and Guangzhou, we not only sell standardized individual life insurance products to our mid- to high-end clients, but also, through the financial planning centers of these banks, sell relatively more complex protection-type and long-term savings-type life insurance products and a combination of life insurance products tailored to the mid- to high-end client base, including health insurance such as cancer insurance. If this business model proves successful, we plan to expand it through our partnerships with the Five Large Commercial Banks. We have also implemented a customer relationship management system (CRM), which effectively integrates enterprise-to-customer management, enterprise-to-employee management, employee-to-customer management and employee self-management. This system helps us to more closely follow and better understand the needs of our mid- to high-end customers and enhance our ability to distribute our products through the wealth management channel.

(1) Monthly GWP per outlet unit is GWP from the bancassurance channel in the period/[(the number of effective outlets at the beginning of the period plus the number of effective outlets at the end of the period)/2]/the number of months in the period.

We have also entered into cooperative agreements with some major securities firms in China to provide customized insurance products and solutions to their mid- to high-end customers. For instance, we entered into three-year cooperative agreements with each of China Galaxy Securities, CITIC Securities and China Merchant Securities.

As of June 30, 2011, our sales team for our wealth management channel consisted of approximately 900 wealth management consultants, of which over 97% have a bachelor's degree or associate's degree.

**Group Insurance**

We provide group insurance products to government entities, enterprises, public institutions and social groups and other institutional customers. In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our group insurance business accounted for approximately 1.3%, 1.3%, 1.2% and 1.5% of our total GWP, respectively. Our group insurance products primarily consist of short-term products.

***Products***

Our group insurance products generally consist of group life insurance, group health insurance and group accident insurance. Meanwhile, we provide tailored group insurance products based on our clients' specific needs. Group insurance coverage is typically purchased by institutional customers for their employees. As of June 30, 2011, we had approximately 57,000 institutional customers. In 2005, we obtained the qualification required for acting as corporate annuity account manager, and we are in the process of obtaining the qualifications required for acting as corporate annuity trustee and corporate annuity investment manager.

The following table sets forth the breakdown of GWP by product categories generated from our group insurance business for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **GWP** | | | | | | | | |
| Life insurance | 57 | 9.4% | 75 | 9.0% | 93 | 8.6% | 27 | 3.5% |
| Health insurance | 314 | 51.6% | 405 | 48.8% | 539 | 49.9% | 459 | 59.5% |
| Accident insurance | 237 | 39.0% | 350 | 42.2% | 448 | 41.5% | 286 | 37.0% |
| **Total** | **608** | **100.0%** | **830** | **100.0%** | **1,080** | **100.0%** | **772** | **100.0%** |

*Group Life Insurance*

Our group life insurance products include traditional and participating life insurance products, which generally have similar characteristics as the traditional and participating products offered in our individual life insurance business. The majority of our group life insurance products are participating life insurance products. For a description of these characteristics, see "— Individual Life Insurance — Products — Traditional Life Insurance, Participating Life Insurance." Our group life insurance products are mainly single premium products. In 2008, 2009, 2010 and the first six months of 2011, GWP from our group life insurance products accounted for approximately 9.4%, 9.0%, 8.6% and 3.5% of the total GWP generated from our group insurance business, respectively.

*Group Health Insurance*

We have been offering health insurance in our group insurance products since 1997. For a description of these products, see "— Individual Life Insurance — Products — Health Insurance." Our group health insurance products generally provide illness and medical benefits coverage during the policy period. We typically offer short-term health insurance policies. We also offer corporate supplemental medical insurance products to our institutional customers. In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our group health insurance products accounted for approximately 51.6%, 48.8%, 49.9% and 59.5% of the GWP generated from our group insurance business, respectively.

*Group Accident Insurance*

We have been offering accident insurance in our group insurance products since 1997. The accident insurance products generally have similar characteristics as the accident insurance products offered in our individual life insurance business. For a description of these characteristics, see "— Individual Life Insurance — Products — Accident Insurance." Our group accident insurance products are mainly single premium products. We continue to strengthen our efforts to promote our group accident insurance products. In 2008, 2009, 2010 and the first six months of 2011, GWP generated from our group accident insurance products accounted for approximately 39.0%, 42.2%, 41.5% and 37.0% of the GWP generated from our group insurance business, respectively.

***Distribution***

We distribute our group insurance products through multiple channels, including direct sales, cross-selling and intermediaries.

Our group insurance products are primarily distributed by our direct sales force. As of June 30, 2011, we had approximately 910 group insurance direct sales representatives covering our province-level branches, central sub-branches and sub-branches throughout China. These sales representatives, who are our employees, are responsible for providing comprehensive and tailored employee benefit and protection plans to our institutional customers. Our group insurance direct sales representatives receive commissions in addition to a base salary.

We also take advantage of the opportunities to cross-sell our group life insurance products by leveraging our broad individual customer base through our individual insurance agents. As of June 30, 2011, we had approximately 1,210 cross-selling insurance agents focusing on facilitating cross-selling efforts. We believe that our extensive customer base provides us with significant opportunities for cross-selling and developing new customers at a lower cost. We have focused on strengthening the cross-selling of our group insurance products and have achieved rapid growth in this regard.

In addition, we have established extensive and close cooperation with dedicated and ancillary agency organizations approved by the relevant regulatory authorities. These agency organizations sell our group insurance products in return for commissions. As of June 30, 2011, we had approximately 720 insurance intermediary agents. In recent years, this insurance intermediaries distribution channel has enjoyed favorable growth conditions as a result of the extensive distribution networks of dedicated insurance agencies and ancillary agents, as well as the attractive profits that the channel has provided to insurance companies.

## Other Business

### *Insurance Agency Business*

In addition to our insurance business, we conduct an insurance agency business through two of our subsidiaries, namely Chongqing New China and Yunnan New China, both of which were established in 2004 and only act as insurance agencies for our Company. However, we are in the process of dissolving Chongqing New China.

### *Cooperation with Property Insurance Company*

In September 2010 and April 2011, with the CIRC's approval, we entered into the Strategic Cooperation Framework Agreement ("Framework Agreement") and the Agreement on Sales Agency for Insurance Products ("Sales Agency Agreement"), respectively, with China Continent Property & Casualty Insurance Company Ltd. ("CCPCIC"), pursuant to which we would provide agency services to CCPCIC for cross-selling its insurance products and services. CCPCIC conducts property and casualty insurance business nation-wide and ranked fifth with a market share of 3.4% for the first nine months of 2011 in terms of gross premium income among all property and casualty insurance companies in the PRC, according to data published by the CIRC.

Since the execution of these agreements, we have started selling CCPCIC's automobile insurance products at a number of our selected branch entities. We primarily rely on our cross-selling team to conduct these agency sales and also plan to leverage on our extensive individual insurance agent network to assist this cooperation. Meanwhile, CCPCIC provides technical support and consulting services to our sales team. Our cooperation with CCPCIC, which is not conducted through either Chongqing New China or Yunnan New China, is still at a preliminary stage. The initial term of the Framework Agreement is two years, expiring in September 2012, and will be automatically renewed for one more year upon expiration if there is no disagreement between the two parties. The Sales Agency Agreement expires on December 31, 2011. We and CCPCIC are in the process of negotiating the renewal of the Sales Agency Agreement. For the year of 2011, the agency commissions are calculated based on the amount of the insurance premiums actually received and the actuarial loss ratio. The settlement standard for 2012 and afterwards will be separately agreed upon. The commissions will be settled every month and at the end of each year. We expect CCPCIC to provide agency services for our insurance products and services in the future.

Our agency service agreements with CCPCIC are an attempt to explore agency cooperation between two entities that operate independently of each other — a life insurance company and a property and casualty insurance company. We believe that such cooperation could enable the two cooperating parties to leverage on each other's customer base and sales force to maximize business gains.

## Customers and Customer Services

### *Customers*

As of June 30, 2011, our life insurance customer base, one of the largest in the PRC, consisted of approximately 24.94 million individual customers and approximately 57,000 institutional customers. The following table sets forth the number of our individual and institutional customers as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | | (in thousands) | | |
| Number of customers: | | | | |
| Individual customers[1] | 12,645 | 18,725 | 22,532 | 24,942 |
| Institutional customers | 21 | 34 | 48 | 57 |
| **Total** | **12,666** | **18,759** | **22,580** | **24,999** |

(1) Represents the number of policyholders and the insured parties (a party will be treated as one customer if it is both the policyholder and the insured party at the same time).

The aggregate premiums from our five largest customers accounted for less than 30% of our total GWP in 2008, 2009, 2010 and the first six months of 2011.

We serve our customers through our nationwide network of branch entities[1]. The following table sets forth the number of our branch entities as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| Branches | 34 | 34 | 34 | 34 |
| Central sub-branches | 181 | 196 | 207 | 214 |
| Sub-branches | 15 | 107 | 233 | 264 |
| County-level sales and services offices | 1,016 | 1,001 | 989 | 954 |
| Town-level sales and services offices | 2 | 4 | 11 | 11 |
| **Total** | **1,248** | **1,342** | **1,474** | **1,477** |

(1) All new openings of branch entities during the Track Record Period had been approved by the CIRC's local representative offices.

We focus on the development of our business in large provinces and regions which are densely populated. The following table sets forth the GWP generated by our life insurance business at our branches in the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **Branch** | | | | | | | | |
| Beijing | 4,576 | 9.8% | 6,562 | 10.1% | 10,045 | 11.0% | 4,941 | 9.8% |
| Guangdong | 4,445 | 9.6% | 4,760 | 7.3% | 7,479 | 8.2% | 4,607 | 9.1% |
| Henan | 4,044 | 8.7% | 5,053 | 7.8% | 6,637 | 7.2% | 3,711 | 7.3% |
| Shanghai | 2,135 | 4.6% | 4,252 | 6.5% | 7,360 | 8.0% | 3,582 | 7.1% |
| Shandong | 3,428 | 7.4% | 4,014 | 6.2% | 5,321 | 5.8% | 3,225 | 6.4% |
| Hubei | 2,975 | 6.4% | 4,532 | 7.0% | 5,622 | 6.1% | 3,082 | 6.1% |
| Sichuan | 3,063 | 6.6% | 3,704 | 5.7% | 5,368 | 5.9% | 2,961 | 5.8% |
| Jiangsu | 2,101 | 4.5% | 3,261 | 5.0% | 4,449 | 4.9% | 2,598 | 5.1% |
| Hunan | 2,044 | 4.4% | 3,030 | 4.7% | 3,984 | 4.3% | 2,173 | 4.3% |
| Hebei | 1,746 | 3.8% | 3,225 | 5.0% | 3,737 | 4.1% | 1,868 | 3.7% |
| Others | 15,897 | 34.2% | 22,647 | 34.8% | 31,677 | 34.6% | 17,914 | 35.4% |
| **Total** | **46,453** | **100.0%** | **65,040** | **100.0%** | **91,679** | **100.0%** | **50,662** | **100.0%** |

***Customer Service***

We adopt a customer-centric approach to establish ourselves as a leader in customer service. We dedicate ourselves to providing comprehensive and high-quality services to our customers through our one-stop service counters at branch entities, “95567” customer service hotline, text messaging and multimedia messaging services on mobile phones, our website, customer service specialists and our individual insurance agents. Our customer service covers a range of areas including basic services such as new policy underwriting, policy maintenance, claims settlement assistance, customer inquiries and complaint handling and renewal of premiums and value-added services such as emergency medical assistance and health management services. The quality of our customer service is primarily attributable to our extensive customer database, efficient business processes and an information technology platform that integrates our business maintenance system, claims processing system, investigation management system and customer complaint inquiry system. We received the “Most Trusted Life Insurance Company of 2010” award in the 8th China Finance and Economics League Table, which was hosted by hexun.com. In 2011, we were honored as the “Outstanding Enterprise for Quality After-sales Service (Public)” by China Association for Quality Promotion.

Our one-stop service counters comprise an important component of our after-sales services to our customers. These services include new policy underwriting, policy maintenance, handling complaints relating to claims settlement and service consulting. In 2009, we promoted a program to standardize our service counters, with an aim to expand the geographic coverage of our service counters to all of our branch entities. As of June 30, 2011, we had approximately 928 standardized counters located throughout China in our 34 province-level branches (including our branches in certain cities specifically designated in the state plan). In addition, in numerous regions such as Beijing, Shanghai, Xi’an, Shijiazhuang and Fujian, we have established VIP customer experience centers to provide quality services. We have established a nationwide unified certification system for our service counter representatives. As of June 30, 2011, we had a dedicated team of over 2,600 service counter representatives to provide professional and convenient one-stop services to our customers.

In December 2004, we established our nationwide customer service hotline, "95567," a centralized nationwide customer call center to provide services 24 hours a day, 7 days a week. Our "95567" service hotline provides customers with information relating to our products and services, as well as other services such as policy inquiries, on-line modification of basic information, claims report, loss report, and reissuance of documentation. Our "95567" service hotline also handles customer complaints, as well as offers customers with services such as return calls relating to new policies and specific concerns. In 2009, we received the "China Call Center Award 2009" award from China Call-Center & CRM Association. In addition, our customers can utilize our Internet-based services through our website www.newchinalife.com, which primarily include access to information relating to policies and personal accounts, electronic documents available for download, policy maintenance services and sales support.

We aim to provide customer services with competitive advantages. We provide tailored services to our VIP customers. We also provide other value-added services such as health management services and global emergency assistance services.

We have a separate insurance policy renewal team dedicated to collecting regular premiums of in-force policies, supervising such collections and maintaining relationships with customers. In 2010, we adjusted the operating model of our insurance policy renewal team from a premium-collection model to an integrated services model through which we try to explore further sales opportunities with our customers in the processes of collecting premiums and providing services. We also began to explore new methods of customer retention such as establishing trust with long term clients, striving for customer lock-in and effectively managing customer relationships.

As of June 30, 2011, our insurance policy renewal team consisted of approximately 15,000 members. Renewal premiums increased from RMB10,887 million in 2008 to RMB35,714 million in 2010, at a CAGR of 81.2%. In 2009, 2010 and the first six months of 2011, our insurance policy renewal team obtained first year premiums of RMB169 million, RMB774 million and RMB738 million, respectively, accounting for 2.3%, 7.4% and 13.7% of the total first year premiums generated from the individual insurance agent channel.

In recent years, we have focused on improving the quality of our business and making efforts to increase the policy persistency ratios. The following table sets forth the 13-month and 25-month persistency ratios for our overall business, individual life insurance and bancassurance channels as of the dates indicated:

| | For the year ended December 31, | | | For the six months ended June 30, 2011 |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | |
| Overall persistency ratio: | | | | |
| 13-month(1) | 84.6% | 89.4% | 91.7% | 92.4% |
| 25-month(2) | 77.5% | 79.6% | 84.6% | 89.1% |
| Individual insurance agent channel persistency ratio: | | | | |
| 13-month(1) | 83.7% | 84.9% | 86.6% | 90.5% |
| 25-month(2) | 76.0% | 78.3% | 80.5% | 81.2% |
| Bancassurance channel persistency ratio: | | | | |
| 13-month(1) | 90.2% | 94.3% | 95.0% | 93.8% |
| 25-month(2) | 83.6% | 87.2% | 92.2% | 92.6% |

(1) 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 same period of issuance.

(2) 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 same period of issuance.

**Product Development and Pricing**

We offer a variety of individual life insurance products to meet the needs of our customers. We have developed several series of flagship products, including participating products, such as the Hongshuangxi ("紅雙喜") series, the Furudonghai ("福如東海") series, the Fuguirensheng ("富貴人生") series, the Zunxiangrensheng ("尊享人生") series and the Jixinggaozhao ("吉星高照") series, and health insurance products, such as the Jiankangfuxing ("健康福星") series and the Kangjianjishun ("康健吉順") series. For more information on our participating products and health insurance products, see "Business — Individual Life Insurance — Products — Participating Life Insurance" and "Business — Individual Life Insurance — Products — Health Insurance".

We price our life insurance products in compliance with the relevant CIRC requirements and primarily on the basis of relevant mortality rate, morbidity rate, expense assumptions and expected investment returns, as well as information and data provided by third parties, such as reinsurance companies. For more information on the pricing of insurance products, see "Supervision and Regulation."

Our Market Development Department, which is specifically established for the development of new products, is in charge of market research, product development and marketing. After the Market Development Department completes the detailed design of a new product, the Actuary Department reviews the pricing for such a product and the Legal Department reviews the terms to ensure compliance with relevant laws and regulations. With a dedicated internal department focusing on new product development, we are able to integrate market research, product development and new product promotion so as to develop and promote our products more flexibly in response to market demands and assist sales.

We have many experienced actuarial professionals who accumulated substantial amount of data that serve as the basis for pricing our new products. As of June 30, 2011, we had 41 actuarial professionals. See "Business — Actuarial Practices". Our pricing strategies focus on ensuring the competitiveness of our products in the market, enhancing the profitability of our products and complying with applicable regulatory requirements.

**Underwriting**

We believe that we possess sound risk control capabilities in our underwriting operations, which benefit from our specialized and advanced underwriting technology system, tiered authorization system and our underwriting staff's professional skills.

We utilize a tiered authorization system with different tiers of underwriting authorizations based on different levels of underwriting risks. We have established different authorization limits and procedures depending on the insured amount and the qualification level of our underwriting personnel. During the life insurance underwriting process, we consider the risk characteristics of the insured parties, including their health conditions, occupations and financial profiles. Individual life insurance policies can be authorized through one of the following three tiers of underwriting authorizations: (i) automatic authorization by the system; (ii) authorization through examination and approval by an underwriter with appropriate authority; and (iii) authorization that requires consulting a reinsurance company due to the large scale or exceptional risks involved. For the authorization involving large or exceptional risks, we cannot sign and issue a policy unless we arrange appropriate reinsurance for such risks. Group insurance can be authorized through one of the following three tiers of underwriting authorizations: (i) automatic authorization; (ii) authorization by an underwriter; and (iii) authorization through submitting a report for facultative reinsurance. Underwriting decisions within any specific region are mainly made by the underwriters responsible for such region, or by the underwriting staff at a higher administrative level if the insured amount exceeds the authority of such underwriters or if the policies are to be issued under extraordinary circumstances.

We have adopted a centralized and region-based collaboration system, under which we divide our 34 province-level branches into five geographic regions. Underwriters responsible for one branch can also process underwritings from other branches within the same region by leveraging our core business system so as to maximize the utilization of our human resources and increase efficiency. We aim to establish a physically centralized underwriting team to further increase efficiency and enhance collaboration.

We have a team of underwriting staff with professional knowledge and skills. As of June 30, 2011, almost all of our underwriters had bachelor's or higher degrees and approximately 90% of them had educational background in medicine, law, management or finance. In order to be qualified to underwrite insurance policies, each of our underwriters is required to attend a series of training programs and pass our internal certification examinations.

We have improved our underwriting management system. We also plan to establish a physically centralized underwriting system and launch an internally or externally developed intelligent underwriting process management system in order to provide more professional underwriting services to our customers.

**Claims Settlement**

We have established a professional claims settlement system, a sophisticated service management system and a tiered authorization system. Our claims adjusters possess professional skills.

We handle claims we receive from our policyholders by our claims adjusters. In 2010, approximately 45% to 50% of the claims we received were simple cases, in which the payment could be distributed within one hour after the claim was processed by our system or reviewed by a claims adjuster. The remaining claims, which were complex claims that require investigation and further reviews due to uncertainty in liability identification and allocation, were reviewed by appropriately authorized claims investigators and senior claims adjusters. Claim settlement process for complex claims is typically longer than that of simple claims, but usually no longer than 30 days. Our claims settlement process usually consists of investigation and adjustment. Our claims investigation team specialize in the investigation and verification of the accuracy of the reported claims. Our claims adjustment team determine the claims payment. When a claim is approved, we typically make payments within five business days.

In 2009, we implemented a tiered assessment system to provide standardized services satisfying our customers' claims settlement requirements. By leveraging our nationwide network, we seek to continue to provide effective, high-quality and efficient claims settlement services.

In addition, we are proactively expanding overseas claims settlement services through our cooperation with International SOS, an international health care, medical and security assistance company. We currently include more than 50,000 global medical service branches of International SOS in our list of designated hospitals to provide our life insurance customers with access to emergency rescue and claims settlement assistance services during overseas trips including in Hong Kong, Macau and Taiwan.

As of June 30, 2011, we had approximately 530 claims investigators to assist in our life insurance claims settlement process. We employed prudent investigative measures in detecting and preventing frauds and misconducts. For example, complex claims are reviewed by two investigators and approved by two adjusters to ensure better control over our risk exposures. As of June 30, 2011, we had approximately 200 claims adjusters. 100% of our claims adjusters had a bachelor's degree or above. Approximately 90% of our claims adjusters had educational background in medicine, law, management or finance. The authorization level of our claims adjusters is evaluated and adjusted regularly based on their professional qualifications, work experience and performance, as well as the performance of the branch at which they work.

To ensure consistent and professional services, we have continued to improve our claims management system and intend to enhance our centralized claims settlement management system by taking the following initiatives: centrally handling all claims adjustments, upgrading and integrating our information technology systems to enhance the efficiency of our claims settlement process and launching self-developed intelligent automatic process system for simple claims that can be automatically processed by claims settlement information system without the involvement of our investigators or adjusters.

**Actuarial Practices**

As of June 30, 2011, we had 41 actuarial professionals, primarily in our Actuarial Department and Market Development Department, eight of whom are actuaries (including three qualified actuaries of SOA and five qualified actuaries of CAA) and 15 are associate actuaries (including two associate actuaries of SOA and 13 associate actuaries of CAA). Our team of actuarial professionals provides actuarial support to our key business units.

The product development functions of our actuarial practices are mainly handled by the Market Development Department. See "— Product Development and Pricing." The remaining actuarial practices are handled by the Actuarial Department. Our Actuarial Department is primarily responsible for the following functions:

- calculation of our insurance contract liabilities and solvency margin ratios;
- experience analysis;
- calculation of embedded value;
- preparation of insurance policy dividend distribution plan;
- review of new products; and
- assets and liabilities management.

The Actuarial Department periodically evaluates our various life insurance contract liabilities, in accordance with the relevant accounting principles and statutory regulatory requirement, to help ensure that our reserves will meet their respective future obligations. The Actuarial Department also regularly monitors our solvency condition and organizes the analyses of our asset-liability matching, solvency margin and cash flow. With respect to experience analysis, the Actuarial Department regularly conducts experience studies on mortality, morbidity, lapse rates and expense assumptions based on our own experiences, which serve as the basis for our assumptions in setting prices, reserves assessment, embedded value and relevant projections. Our actuarial team also performs regular valuation analysis on our embedded value and value of new business. The Actuarial Department also prepares draft plans for dividend distribution to the policyholders of our participating products. In addition, our Actuarial Department reviews the pricing for new products after the Market Development Department completes a detailed design of such new product. See "— Product Development and Pricing."

**Insurance Contract Liabilities**

The following discussion relates to the determination of our insurance contract liabilities for purposes of our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS. The insurance contract liabilities we maintain in accordance with IFRS are in line with those we maintain in accordance with PRC GAAP.

We maintain insurance contract liabilities to provide for our future benefit obligations under our life insurance policies. The principal types of insurance contract liabilities we maintain are long-term insurance contract liabilities, outstanding claims liabilities and unearned premium liabilities.

***Long-term Insurance Contract Liabilities***

The long-term insurance contract liabilities represent the liabilities maintained for future payouts that will be required to fulfill the contractual obligations, taking margin into account. Such liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rates and expenses and are based on the following principles:

The long-term insurance contract liabilities are recognized on the basis of reasonable estimates of future payouts that will be required to fulfill the contractual obligations. These payouts refer to the estimates of future cash outflows less future cash inflows for long-term insurance contracts. The expected future cash inflows include cash inflows arising from the undertaking of insurance contract obligations by the insurance company. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following:

- The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders;
- Additional non-guaranteed benefits, such as policyholder dividends; and
- Reasonable expenses incurred to manage insurance contracts or to process claims, including policy administration and claim settlement expenses.

Various assumptions for the estimates of insurance contract liabilities are reviewed at the end of each reporting period and any changes are recognized in the net profit.

Margin has been taken into consideration while computing the insurance contract liabilities, measured separately and recognized in the net profit in each period over the life of the contracts. At the inception of the contracts, we do not recognize Day 1 gain, whereas on the other hand, Day 1 loss is recognized as incurred.

Margin is comprised of risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. At the inception of the contract, the residual margin is calculated net of certain acquisition costs by us representing the Day 1 gain. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent of the reserves and risk margin related to the reasonable estimate of future cash flows. The assumption changes have no effect on the subsequent measurement of residual margin.

We have considered the impact of the time value of money on the liability calculation for insurance contracts.

***Outstanding Claims Liabilities***

Outstanding claims liabilities include, among others, liabilities for reported and unreported claims and liabilities for claim expenses. Based on the reasonable estimated amounts required to be paid, we have considered the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margin. We use the case by case method, the average cost per claim method, the chain ladder method, the liability development method, the Bornhuetter-Ferguson method and other methods in estimating incurred claims liabilities. Our liabilities for claim expenses are calculated based on the reasonable estimated amount of claim expenses required to be paid in the future.

***Unearned Premium Liabilities***

The unearned premium liabilities represent the higher of the portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and the estimates of future net cash outflows.

**Reinsurance**

In order to control and diversify our overall exposure to potential future claims loss and expand our underwriting capacity, we reinsure a portion of the risk that we assume under our life insurance policies in exchange for a portion of the premiums we receive with respect to these policies. We generally reinsure our risk exposures proportionally. Our reinsurance arrangements include treaty reinsurance and facultative reinsurance. These reinsurance arrangements generally have maturities that match those of the underlying policies. Some of our reinsurance agreements, such as catastrophe reinsurance, are on an excess-of-loss basis, under which a reinsurer is responsible for the claimed loss in excess of a deductible amount, subject to an agreed-upon ceiling. We determine our risk retention amount and the cession ratio based on the statutory risk retention requirements under the PRC Insurance Law, relevant regulations and our business development needs.

To reduce our reinsurance concentration risk, we have entered into reinsurance contracts with leading international reinsurance companies. We select our reinsurers carefully and generally only enter into reinsurance arrangements with international reinsurance companies with A or better ratings by internationally-recognized rating agencies and PRC reinsurance companies with a proven track record. Our criteria for selecting reinsurers include financial strength, service, terms of coverage, claims settlement efficiency and price, among others. Our primary life reinsurers, in terms of ceded GWP, are China Life Re and Swiss Re. We follow the financial condition of these reinsurers on an ongoing basis and review our reinsurance arrangements periodically.

Our premiums ceded to reinsurers accounted for a small percentage of our GWP. The following table sets forth our premiums ceded to reinsurers for the periods indicated:

| | For the year ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 |
| | (RMB in millions) | | | |
| **Reinsurer** | | | | |
| China Life Reinsurance Company Ltd.[1] | (76) | (98) | (102) | (289) |
| Swiss Reinsurance Company Ltd., Beijing Branch | 26 | 60 | 65 | 48 |
| Others[2] | 4 | 8 | 5 | 3 |
| **Total** | **(46)** | **(30)** | **(32)** | **(238)** |

(1) Premiums ceded out were negative primarily because policy surrenders recovered from the reinsurer exceeded the premiums ceded out during the reporting periods. The Company was not engaged in assuming reinsurance in 2008, 2009, 2010 and the six months ended June 30, 2011.

(2) Primarily include Hannover Rückversicherung AG, Shanghai Branch and SCOR Global Life SE, Singapore Branch.

### Negative Interest Rate Spread on Our Legacy High Guaranteed Return Products

Prior to June 1999, we offered a limited number of long-term life insurance products with high guaranteed rates of return[1], primarily as a result of the then prevailing high pricing interest rates. As interest rates in the PRC have gradually decreased and remained low in the ensuing years, the interest rates earned by us on our investment for the premiums derived from those products have fallen below the assumed interest rates used in the calculation of premiums and insurance contract liabilities, which has led to a negative interest rate spread. However, after the implementation of Interpretation No. 2, we have adopted market interest rates (interest rates derived from the yield curve of government bonds) as the discount rates to evaluate the liabilities for long-term insurance contracts for these legacy high guaranteed return policies. In the long run, however, our actual investment yield is expected to exceed such assumed discount rates. As a result of using market interest rates as the discount rates, the impact of the negative interest rate spread arising from a lower actual investment yield than the guaranteed rate has been fully reflected in the insurance contract liabilities for these legacy high guaranteed return policies after the implementation of Interpretation No. 2. Compared to some of our major competitors, these legacy high guaranteed return policies consisted of only a very small portion of our business in terms of our long-term insurance contract liabilities (approximately 2.1%) as of June 30, 2011. The following table presents certain information of our long-term insurance contract liabilities as of the dates indicated:

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Value | % of total | Value | % of total | Value | % of total | Value | % of total |
| | (RMB in millions, except percentages) | | | | | | | |
| **Long-term insurance contract liabilities** | | | | | | | | |
| Policies written prior to June 1999 | 4,264 | 3.7% | 4,397 | 2.7% | 5,320 | 2.3% | 5,521 | 2.1% |
| Policies written since June 1999 | 112,395 | 96.3% | 158,829 | 97.3% | 228,501 | 97.7% | 262,332 | 97.9% |
| **Total** | **116,659** | **100.0%** | **163,226** | **100.0%** | **233,821** | **100.0%** | **267,853** | **100.0%** |

(1) Generally refers to products with pricing interest rate no less than 5%.

## Asset Management and Investment Portfolio

### *Overview*

We manage our insurance funds mainly through New China Asset Management, which is a separately registered company. Pursuant to the Entrusted Investment Management Agreement and the Investment Guidelines for the Use of Insurance Funds (hereinafter referred to as the "Investment Guidelines") it entered into with our Company, New China Asset Management provides investment management service to our Company in exchange for a management fee. We bear the profits and losses from our investment assets entrusted to New China Asset Management. In 2008, 2009, 2010 and the first six months of 2011, the entrusted investment management fees we paid to New China Asset Management amounted to RMB127 million, RMB151 million, RMB194 million and RMB107 million, respectively, representing approximately 96.9%, 89.3%, 97.5% and 96.4% of the operating revenues of New China Asset Management in the respective periods.

Currently, most of our investment assets are entrusted to New China Asset Management, among which a significant majority are under custody of our custodian banks, and the payment and settlement of the entrusted assets are conducted on an electronic payment platform. Custody of investment assets ensures the security of our insurance funds and professional asset management. As of June 30, 2011, we owned 97% equity interest in New China Asset Management and had approximately RMB334.6 billion of investment assets.

### *Investment Decision-Making Mechanism and Management Procedures*

Our Board bears the ultimate responsibility for the allocation, investment policies, risk management and internal controls regarding the investment assets. In particular, the Strategy and Investment Committee under our Board is in charge of the management of our investment assets, including the review of the use of funds, investment policies, strategic asset allocation, asset-liability management and annual investment plans, and provides relevant recommendations to our Board. At the same time, this committee is responsible for directing the Investment Management Committee under our senior management to formulate the Investment Guidelines and submit such guidelines to our Board for approval.

The Investment Management Committee is responsible for asset-liability management and investment management, as well as carrying out a system of annual, quarterly and ad hoc meetings. Its functions include formulating and revising the Investment Guidelines, reviewing our Company's asset-liability management strategies and determining a plan for the selection and review of trustees with the authorization of the Board. We will carry out and supervise the asset management business in accordance with the Investment Guidelines, which is formulated by the Investment Management Committee and approved by the Board. The investment management process include the following key steps:

- In order to standardize and regulate the use of funds, we provide New China Asset Management with information relating to the entrusted assets including, among others, investment scope, strategic asset allocation, allocation of investment authority, investment restrictions and investment objectives, as well as yields, liquidity and risk tolerance levels, as required under the Investment Guidelines;

- In line with the Investment Guidelines and through the analyses of macroeconomic conditions and capital markets, New China Asset Management determines the formation of an investment strategy and tactical asset allocation. This investment strategy and tactical asset allocation must be submitted to New China Asset

Management's Investment Decision-Making Committee for review and approval before implementation;

- New China Asset Management circulates the approved investment strategy and tactical asset allocation to each of its investment departments, where they are implemented by the responsible investment managers under the supervision of the Portfolio Management Division of New China Asset Management;

- The relevant business departments of New China Asset Management can propose an Investment Decision-Making Committee meeting in the event of sudden, unexpected changes in macroeconomic conditions, market environment, policies relating to the use of insurance funds, or any other circumstances which can have a material impact on our investments, or if during the implementation of the investment strategy the business departments believe it is necessary to make major adjustments; and

- Our Company and the Compliance and Risk Control Department of New China Asset Management, together with other relevant departments of New China Asset Management, are responsible for supervising operations and monitoring risks throughout the entire investment decision-making and implementation process.

The members of the Investment Management Committee currently include KANG Dian, HE Zhiguang, XU Ying, LIU Yigong, CHEN Guogang, LI Quan, GONG Xingfeng and WU Jun. For the professional qualification and industry experience information of KANG Dian, HE Zhiguang, LIU Yigong, CHEN Guogang and GONG Xingfeng, see "Directors, Supervisors and Senior Management".

Ms. XU Ying joined New China Asset Management in January 2010 and currently serves as its Vice Chairman. Ms. Xu has more than 20 years of experience in finance and management. Previously, Ms. Xu served as the Chairman of Invesco Great Wall Fund Management Co. Ltd and the Chairman and the Chief Executive Officer of Great Wall Securities Co., Ltd.

Mr. LI Quan joined New China Asset Management in February 2010 and currently serves as its Chief Executive Officer. Mr. Li has more than 20 years of experience in finance and investment. Previously, Mr. Li served as the Vice President of Bosera Asset Management Co., Ltd., the General Manager of the Department of Fund and the Assistant President of Chia Tai International Finance Company, Ltd.

Mr. WU Jun joined our Company in April 2010 and has since been appointed as Deputy Chief Financial Officer and General Manager of the Department of Finance. Mr. Wu has more than 15 years of experience in insurance and financial institutions. Previously, Mr. Wu served as the Chief Financial Officer of Taiping Asset Management Co., Ltd., and the General Manager of the Department of Finance in Taiping Life Insurance Co., Ltd.

***Investment Policies and Business Plans***

Within the restrictions imposed by asset-liability management, while taking into account the security, liquidity and profitability of our managed funds, we seek to maximize the investment returns of our investment portfolio on the basis of sound asset allocation and effective risk control. While formulating the Investment Guidelines, our Investment Management Committee reasonably considers the characteristics of our liabilities and formulates a series of investment restrictions to effectively reduce the risk of asset-liability mismatch. Our principal investment policies include the following: (i) based on the Investment Guidelines, implement the relevant asset allocation by fully considering the characteristics of liabilities, operating targets, regulatory constraints and available investment channels; and (ii) pursue long-term and stable investment returns through adhering to scientific and rigorous investment decision-making mechanisms and investment processes as well as through prudent investment management.

In order to improve our asset-liability management mechanism, enhance our overall investment capabilities and strengthen our investment risk management, we plan to adopt the following business plans:

- to establish a tactical asset allocation system, develop tools for risk-return analysis, build a risk assessment mechanism and determine the asset allocation based on the risk characteristics of different asset classes;
- to establish a multi-level investment decision-making process, introduce a risk evaluation system and set up quantitative risk management guidelines; and
- to establish an operation system and a talent pool which are in line with the pace of our current business development and sufficient to support our expansion into new investment channels.

***Internal Risk Control in our Asset Management***

We have established a series of policies and procedures relating to our investment risk management, internal control, compliance review and verification procedures for investment transactions. In respect of fund management, we have adopted an advanced treasury management service (TMS) system, and have successfully realized the management of fund transactions and the risk control of funds throughout the entire process. We have met the regulatory requirements of "zero-cash"[(1)] and "centralized settlement"[(2)] and laid a foundation for a closed, standardized, flattened and automated fund settlement system.

New China Asset Management, through its Compliance and Risk Control Department, also conducts supervision and monitors risks throughout the entire investment decision-making and implementation process. With respect to the management of investment risks, New China Asset Management has established and improved operating procedures such as risk control, forewarning, supervision and auditing, and has developed a system for risk supervision, internal audit and emergency response based on the identification and classification of risks. In the implementation of risk management, a transaction management system is used to effectively control various operational risks and a risk performance management system and various professional research and analysis systems are used to implement efficient investment risk management during the various periods of decision-making, execution and post-occurrence management. New China Asset Management implements a centralized transaction system, and through a mechanism that allocate the corresponding responsibilities among the different departments, ensures the separation between transaction and settlement duties as well as the separation between transaction and accounting duties during the investment process. It also stores comprehensive transaction records through its information system and financial records.

***Portfolio Composition***

We had investment assets of RMB155.8 billion, RMB196.7 billion, RMB292.9 billion and RMB334.6 billion as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. Due to current PRC regulatory requirements governing investments by insurance companies and

(1) It refers to the system of "zero cash management", which requires premiums to be collected via bank transfers and handling fees, commissions, claim expenditures and operating expenses to be paid via bank transfers.

(2) It requires the settlement on income and business expenditures to be operated by branch entities of province or above level in a centralized manner and the application, payment and control of the funds to be performed by branch entities of province or above level in a centralized manner.

regulatory restrictions on our investment activities as a result of the deficiency in our solvency margin, our investments channels are limited. When we fail to meet the relevant solvency margin ratio requirement imposed by the CIRC, we may be restricted from investing in unsecured corporate bonds, infrastructure debt investment plans, unlisted equity securities, real estate and overseas investments. As of December 31, 2008, 2009 and 2010, June 30, 2011 and September 30, 2011, our solvency margin ratios were 27.7%, 36.2%, 35.0%, 106.1% and 86.6%, respectively. As of June 30, 2011, cash and cash equivalents, term deposits, debt securities, equity securities and other investments accounted for approximately 5.8%, 30.2%, 52.3%, 9.2% and 2.5% of our investment assets, respectively. As of June 30, 2011, we invest all of our investment assets domestically. Although as of September 30, 2011, our solvency margin ratio was 86.6%, which was below the minimum solvency margin ratio requirement prescribed by the CIRC. We expect our solvency margin ratio to improve after the completion of our Global Offering and A Share Offering. With an improved solvency position, we may expand our investment channels, which would allow us to further diversify our investment portfolio. For example, subject to compliance with applicable PRC regulations, we may be able to invest in other asset classes, such as unsecured corporate bonds, infrastructure debt investment plans, unlisted equity securities and real estate, while increasing our overseas investments stably and prudently.

The following table sets forth certain information regarding our investment portfolio as of the dates indicated:

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | | | | | |
| **Cash and cash equivalents** | **6,521** | **4.2%** | **12,608** | **6.4%** | **27,368** | **9.3%** | **19,543** | **5.8%** |
| **Term deposits** | **21,738** | **14.0%** | **18,891** | **9.6%** | **55,210** | **18.9%** | **101,002** | **30.2%** |
| **Debt securities** | **120,511** | **77.4%** | **138,169** | **70.2%** | **164,726** | **56.2%** | **174,879** | **52.3%** |
| Government bonds | 32,400 | 20.8% | 34,716 | 17.6% | 36,269 | 12.4% | 35,805 | 10.7% |
| Financial bonds | 34,349 | 22.1% | 37,328 | 19.0% | 42,090 | 14.4% | 38,036 | 11.4% |
| Central bank bills | 3,459 | 2.2% | 1,638 | 0.8% | 1,605 | 0.5% | — | — |
| Corporate bonds | 42,110 | 27.0% | 44,106 | 22.4% | 55,333 | 18.9% | 57,862 | 17.3% |
| Subordinated bonds/debts | 8,193 | 5.3% | 20,381 | 10.4% | 29,429 | 10.0% | 43,176 | 12.9% |
| **Equity securities** | **4,330** | **2.8%** | **23,066** | **11.7%** | **38,874** | **13.3%** | **30,843** | **9.2%** |
| Funds | 2,969 | 1.9% | 13,263 | 6.7% | 16,356 | 5.6% | 10,086 | 3.0% |
| Stocks(1) | 1,361 | 0.9% | 9,803 | 5.0% | 22,518 | 7.7% | 20,757 | 6.2% |
| **Other investments(2)** | **2,652** | **1.7%** | **4,013** | **2.0%** | **6,688** | **2.3%** | **8,307** | **2.5%** |
| **Investment assets** | **155,752** | **100.0%** | **196,747** | **100.0%** | **292,866** | **100.0%** | **334,574** | **100.0%** |

(1) Stocks: Exclude the equity investment of RMB300 million in Zijin Century in 2008 and 2009. For details see Note 9 "INVESTMENTS IN ASSOCIATES" of Section II to the Accountant's Report set forth in Appendix I to this prospectus.

(2) Other investments include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income.

The following table sets forth certain information relating to our investment income for the periods indicated:

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Amount | Yield(1) | Amount | Yield(1) | Amount | Yield(1) | Amount | Yield(1) (not annualized) |
| | (RMB in millions, except percentages) | | | | | | | |
| **Cash and cash equivalents** | | | | | | | | |
| Interest income | 82 | 1.4% | 53 | 0.6% | 66 | 0.3% | 73 | 0.3% |
| **Term deposits** | | | | | | | | |
| Interest income | 653 | 4.1% | 902 | 4.4% | 1,764 | 4.8% | 2,003 | 2.6% |
| **Debt securities** | | | | | | | | |
| Interest income | 4,068 | 4.4% | 5,597 | 4.3% | 6,638 | 4.4% | 3,533 | 2.1% |
| Net realized gains/(losses) | (66) | | 34 | | 709 | | 70 | |
| Net unrealized gains/(losses) | 533 | | (118) | | 278 | | (165) | |
| **Subtotal** | **4,535** | **5.0%** | **5,513** | **4.3%** | **7,625** | **5.0%** | **3,438** | **2.0%** |
| Government bonds | 1,103 | 3.8% | 1,309 | 3.9% | 1,403 | 4.0% | 689 | 1.9% |
| Financial bonds | 1,073 | 4.8% | 1,412 | 3.9% | 2,554 | 6.4% | 669 | 1.7% |
| Central bank bills | 93 | 5.4% | 82 | 3.2% | 63 | 3.9% | 13 | 1.6% |
| Corporate bonds | 1,946 | 6.2% | 2,099 | 4.9% | 2,486 | 5.0% | 1,405 | 2.5% |
| Subordinated bonds/debts | 320 | 4.5% | 611 | 4.3% | 1,119 | 4.5% | 662 | 1.8% |
| **Equity securities** | | | | | | | | |
| Dividend income | 5,226 | 23.9% | 380 | 2.8% | 763 | 2.5% | 751 | 2.2% |
| Net realized gains | 242 | | 212 | | 715 | | 892 | |
| Net unrealized gains (losses) | (8,423) | | 1,050 | | (436) | | (299) | |
| Impairment | (775) | | — | | (116) | | (113) | |
| **Subtotal** | **(3,730)** | **(17.1%)** | **1,642** | **12.0%** | **926** | **3.0%** | **1,231** | **3.5%** |
| Funds | (2,307) | (22.6%) | 479 | 5.9% | 566 | 3.8% | 469 | 3.5% |
| Stocks | (1,423) | (12.2%) | 1,163 | 20.8% | 360 | 2.2% | 762 | 3.5% |
| **Other interest income(2)** | **47** | **3.4%** | **23** | **3.2%** | **45** | **3.3%** | **63** | **3.1%** |
| **Net investment income(3)** | **10,076** | **7.3%** | **6,955** | **3.9%** | **9,276** | **3.8%** | **6,423** | **2.0%** |
| **Total investment income(4)** | **1,587** | **1.1%** | **8,133** | **4.6%** | **10,426** | **4.3%** | **6,808** | **2.2%** |
| **Comprehensive investment income(5)** | **(7,491)** | **(5.4%)** | **9,054** | **5.1%** | **10,672** | **4.4%** | **1,252** | **0.4%** |

(1) Represents ratio of investment income to average investment assets at the beginning and end of the period.

(2) Includes income relating to statutory deposits, policy loans and financial assets purchased under agreements to resell.

(3) Includes interest income from cash and cash equivalents, term deposits and debt securities, dividend income from equity securities and other interest income.

(4) Includes net investment income and net realized and unrealized gains/(losses) from debt and equity securities, and impairment from equity securities.

(5) Includes total investment income and available-for-sale financial assets gains/(losses) arising from fair value changes, and gain/(losses) transferred to profit or loss.

### *Cash and Cash Equivalents*

Cash comprises cash on hand and demand deposits held in banks. Cash equivalents are short-term and highly liquid investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. As of June 30, 2011, 5.8% of our investment assets were cash and cash equivalents.

***Term Deposits***

Term deposits primarily include traditional term deposits with banks. As of June 30, 2011, approximately 30.2% of our investment assets were term deposits with a number of commercial banks in the PRC.

The following table sets forth the top five commercial banks in the PRC in terms of term deposits placed by us as of the dates indicated:

| | Carrying value | |
|---|---|---|
| | Amount | % |
| | (RMB in millions, except percentages) | |
| **As of December 31, 2008:** | | |
| China Merchants Bank | 8,000 | 36.8% |
| Bank of Communications | 3,200 | 14.7% |
| Shanghai Pudong Development Bank | 2,000 | 9.2% |
| China Everbright Bank | 1,700 | 7.8% |
| Bank of Beijing | 1,300 | 6.0% |
| Other banks | 5,538 | 25.5% |
| **Total** | **21,738** | **100.0%** |
| **As of December 31, 2009:** | | |
| China Merchants Bank | 8,000 | 42.3% |
| Bank of Communications | 2,600 | 13.8% |
| Shanghai Pudong Development Bank | 1,800 | 9.5% |
| China Everbright Bank | 1,700 | 9.0% |
| China Minsheng Banking Corporation | 1,540 | 8.2% |
| Other banks | 3,251 | 17.2% |
| **Total** | **18,891** | **100.0%** |
| **As of December 31, 2010:** | | |
| China Minsheng Banking Corporation | 8,840 | 16.0% |
| China Merchants Bank | 8,000 | 14.5% |
| Bank of Communications | 7,300 | 13.2% |
| Industrial Bank | 6,800 | 12.3% |
| Bank of China | 6,300 | 11.4% |
| Other banks | 17,970 | 32.6% |
| **Total** | **55,210** | **100.0%** |
| **As of June 30, 2011:** | | |
| Shanghai Pudong Development Bank | 14,900 | 14.8% |
| Industrial Bank | 13,800 | 13.7% |
| China CITIC Bank | 13,150 | 13.0% |
| China Minsheng Banking Corporation | 11,840 | 11.7% |
| China Merchants Bank | 8,000 | 7.9% |
| Other banks | 39,312 | 38.9% |
| **Total** | **101,002** | **100.0%** |

The following table sets forth a breakdown of our term deposits by maturity as of the dates indicated:

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Carrying Value | % | Carrying Value | % | Carrying Value | % | Carrying Value | % |
| | (RMB in millions, except percentages) | | | | | | | |
| **Residual maturity analysis** | | | | | | | | |
| Due in 1 year or less | 4,698 | 21.6% | 3,951 | 20.9% | 6,850 | 12.4% | 7,392 | 7.3% |
| Due in 1 year through 3 years | 9,040 | 41.6% | 6,340 | 33.6% | 9,500 | 17.2% | 9,500 | 9.4% |
| Due in 3 years through 5 years | 8,000 | 36.8% | 8,000 | 42.3% | 38,860 | 70.4% | 83,110 | 82.3% |
| Due after 5 years | — | — | 600 | 3.2% | — | — | 1,000 | 1.0% |
| **Total** | **21,738** | **100.0%** | **18,891** | **100.0%** | **55,210** | **100.0%** | **101,002** | **100.0%** |

***Debt Securities***

As of June 30, 2011, approximately 52.3% of our investment assets were debt securities. Our debt securities primarily include government bonds, financial bonds, central bank bills, corporate bonds and subordinated bonds/debt. The fair values of our debt securities are generally based on their latest quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either price observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Our exposure to fluctuations in the fixed income markets may result in losses of our investment assets and may have a material adverse effect on our business, results of operations and financial condition."

*Government Bonds*

Government bonds are bonds issued by the PRC government generally with maturities of less than 30 years with tax-exempt interest. As of June 30, 2011, approximately 10.7% of our investment assets were government bonds.

The following table sets forth a breakdown of our investments in PRC government bonds by maturity as of the dates indicated:

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2008:** | | | | |
| Due in 1 year or less | 839 | 2.6% | 843 | 2.5% |
| Due in 1 year through 3 years | 4,674 | 14.4% | 4,811 | 14.2% |
| Due in 3 years through 5 years | 1,985 | 6.1% | 2,084 | 6.2% |
| Due after 5 years | 24,902 | 76.9% | 26,051 | 77.1% |
| **Total** | **32,400** | **100.0%** | **33,789** | **100.0%** |
| **As of December 31, 2009:** | | | | |
| Due in 1 year or less | 1,516 | 4.4% | 1,526 | 4.5% |
| Due in 1 year through 3 years | 4,085 | 11.8% | 4,184 | 12.4% |
| Due in 3 years through 5 years | 1,028 | 3.0% | 1,041 | 3.1% |
| Due after 5 years | 28,087 | 80.9% | 27,103 | 80.1% |
| **Total** | **34,716** | **100.0%** | **33,854** | **100.0%** |
| **As of December 31, 2010:** | | | | |
| Due in 1 year or less | 2,960 | 8.2% | 2,975 | 8.5% |
| Due in 1 year through 3 years | 2,004 | 5.5% | 2,007 | 5.7% |
| Due in 3 years through 5 years | 154 | 0.4% | 152 | 0.4% |
| Due after 5 years | 31,151 | 85.9% | 29,816 | 85.3% |
| **Total** | **36,269** | **100.0%** | **34,950** | **100.0%** |
| **As of June 30, 2011:** | | | | |
| Due in 1 year or less | 3,605 | 10.1% | 3,594 | 10.5% |
| Due in 1 year through 3 years | 889 | 2.5% | 879 | 2.6% |
| Due in 3 years through 5 years | 163 | 0.5% | 161 | 0.5% |
| Due after 5 years | 31,148 | 87.0% | 29,556 | 86.4% |
| **Total** | **35,805** | **100.0%** | **34,190** | **100.0%** |

*Financial Bonds*

Financial bonds are primarily issued by financial institutions incorporated in the PRC which are generally traded through inter-bank markets. As of June 30, 2011, approximately 11.4% of our investment assets were financial bonds.

The following table sets forth a breakdown of our investments in financial bonds by maturity as of the dates indicated:

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2008:** | | | | |
| Due in 1 year or less | — | — | — | — |
| Due in 1 year through 3 years | 748 | 2.2% | 767 | 2.2% |
| Due in 3 years through 5 years | 5,164 | 15.0% | 5,314 | 15.2% |
| Due after 5 years | 28,437 | 82.8% | 28,846 | 82.6% |
| **Total** | **34,349** | **100.0%** | **34,927** | **100.0%** |
| **As of December 31, 2009:** | | | | |
| Due in 1 year or less | 100 | 0.3% | 100 | 0.3% |
| Due in 1 year through 3 years | 1,245 | 3.3% | 1,254 | 3.4% |
| Due in 3 years through 5 years | 6,876 | 18.4% | 6,947 | 18.8% |
| Due after 5 years | 29,107 | 78.0% | 28,559 | 77.5% |
| **Total** | **37,328** | **100.0%** | **36,860** | **100.0%** |
| **As of December 31, 2010:** | | | | |
| Due in 1 year or less | 350 | 0.8% | 354 | 0.8% |
| Due in 1 year through 3 years | 7,156 | 17.0% | 7,206 | 17.3% |
| Due in 3 years through 5 years | 2,332 | 5.5% | 2,369 | 5.7% |
| Due after 5 years | 32,252 | 76.6% | 31,822 | 76.2% |
| **Total** | **42,090** | **100.0%** | **41,751** | **100.0%** |
| **As of June 30, 2011:** | | | | |
| Due in 1 year or less | 360 | 0.9% | 360 | 1.0% |
| Due in 1 year through 3 years | 3,631 | 9.5% | 3,623 | 10.0% |
| Due in 3 years through 5 years | 5,005 | 13.2% | 5,025 | 13.8% |
| Due after 5 years | 29,040 | 76.3% | 27,302 | 75.2% |
| **Total** | **38,036** | **100.0%** | **36,310** | **100.0%** |

*Central Bank Bills*

Central bank bills are debt instruments issued by the PBC which typically have maturities ranging from three months to three years. As of June 30, 2011, we did not have investment in central bank bills.

The following table sets forth a breakdown of our investments in central bank bills by maturity as of the dates indicated:

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2008:** | | | | |
| Due in 1 year or less | 678 | 19.6% | 678 | 19.5% |
| Due in 1 year through 3 years | 2,781 | 80.4% | 2,801 | 80.5% |
| **Total** | **3,459** | **100.0%** | **3,479** | **100.0%** |
| **As of December 31, 2009:** | | | | |
| Due in 1 year or less | — | — | — | — |
| Due in 1 year through 3 years | 1,638 | 100.0% | 1,646 | 100.0% |
| **Total** | **1,638** | **100.0%** | **1,646** | **100.0%** |

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2010:** | | | | |
| Due in 1 year or less | 1,605 | 100.0% | 1,606 | 100.0% |
| Due in 1 year through 3 years | — | — | — | — |
| **Total** | **1,605** | **100.0%** | **1,606** | **100.0%** |
| **As of June 30, 2011:** | | | | |
| **Total** | **—** | **—** | **—** | **—** |

*Corporate Bonds*

Corporate bonds are bonds issued domestically by non-financial enterprises in the PRC. Although corporate bonds may be less liquid than other types of debt securities, such as government bonds, the yields to be earned on these bonds are generally higher. We may continue to adjust the proportion of corporate bonds in our investment portfolio when appropriate, subject to market conditions and regulatory requirements. As of June 30, 2011, approximately 17.3% of our investment assets were corporate bonds.

The following table sets forth a breakdown of our investments in corporate bonds by maturity as of the dates indicated:

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2008:** | | | | |
| Due in 1 year or less | 35 | 0.1% | 35 | 0.1% |
| Due in 1 year through 3 years | 886 | 2.1% | 896 | 2.0% |
| Due in 3 years through 5 years | 6,129 | 14.6% | 6,560 | 14.8% |
| Due after 5 years | 35,060 | 83.3% | 36,704 | 83.1% |
| **Total** | **42,110** | **100.0%** | **44,195** | **100.0%** |
| **As of December 31, 2009:** | | | | |
| Due in 1 year or less | — | — | — | — |
| Due in 1 year through 3 years | 2,055 | 4.7% | 2,098 | 4.8% |
| Due in 3 years through 5 years | 12,546 | 28.4% | 12,977 | 29.5% |
| Due after 5 years | 29,505 | 66.9% | 28,847 | 65.7% |
| **Total** | **44,106** | **100.0%** | **43,922** | **100.0%** |
| **As of December 31, 2010:** | | | | |
| Due in 1 year or less | 2,312 | 4.2% | 2,311 | 4.2% |
| Due in 1 year through 3 years | 5,661 | 10.2% | 5,867 | 10.6% |
| Due in 3 years through 5 years | 14,753 | 26.7% | 14,971 | 27.1% |
| Due after 5 years | 32,607 | 58.9% | 32,156 | 58.1% |
| **Total** | **55,333** | **100.0%** | **55,305** | **100.0%** |
| **As of June 30, 2011:** | | | | |
| Due in 1 year or less | 2,805 | 4.8% | 2,806 | 4.9% |
| Due in 1 year through 3 years | 12,996 | 22.5% | 13,237 | 23.3% |
| Due in 3 years through 5 years | 8,292 | 14.3% | 8,267 | 14.6% |
| Due after 5 years | 33,769 | 58.4% | 32,419 | 57.1% |
| **Total** | **57,862** | **100.0%** | **56,729** | **100.0%** |

*Subordinated Bonds or Debts*

PRC insurance companies may invest in subordinated bonds or debts which are either issued by a qualified commercial bank in connection with a public offering or a private placement, or are issued by a qualified insurance company in connection with a private placement. As of June 30, 2011, approximately 12.9% of our investment assets were subordinated bonds or debts.

The following table sets forth a breakdown of our investments in subordinated bonds/debt by maturity as of the dates indicated:

| | Carrying value | | Estimated fair value | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| | (RMB in millions, except percentages) | | | |
| **As of December 31, 2008:** | | | | |
| Due in 1 year or less | 1,561 | 19.1% | 1,561 | 19.1% |
| Due in 1 year through 3 years | 1,071 | 13.1% | 1,071 | 13.1% |
| Due in 3 years through 5 years | 54 | 0.7% | 54 | 0.7% |
| Due after 5 years | 5,507 | 67.2% | 5,507 | 67.2% |
| **Total** | **8,193** | **100.0%** | **8,193** | **100.0%** |
| **As of December 31, 2009:** | | | | |
| Due in 1 year or less | 1,258 | 6.2% | 1,261 | 6.5% |
| Due in 1 year through 3 years | 140 | 0.7% | 140 | 0.7% |
| Due in 3 years through 5 years | 1,673 | 8.2% | 1,608 | 8.3% |
| Due after 5 years | 17,310 | 84.9% | 16,404 | 84.5% |
| **Total** | **20,381** | **100.0%** | **19,413** | **100.0%** |
| **As of December 31, 2010:** | | | | |
| Due in 1 year or less | — | — | — | — |
| Due in 1 year through 3 years | 632 | 2.1% | 629 | 2.2% |
| Due in 3 years through 5 years | 4,939 | 16.8% | 4,939 | 17.4% |
| Due after 5 years | 23,858 | 81.1% | 22,742 | 80.3% |
| **Total** | **29,429** | **100.0%** | **28,310** | **100.0%** |
| **As of June 30, 2011:** | | | | |
| Due in 1 year or less | — | — | — | — |
| Due in 1 year through 3 years | 672 | 1.6% | 667 | 1.6% |
| Due in 3 years through 5 years | 5,818 | 13.5% | 5,818 | 14.0% |
| Due after 5 years | 36,686 | 85.0% | 35,105 | 84.4% |
| **Total** | **43,176** | **100.0%** | **41,590** | **100.0%** |

***Equity Securities***

*Funds*

Currently, PRC insurance companies may invest in close-ended funds and open-ended funds. In light of market capacity and related liquidity, we invest a majority of our fund investments in open-ended funds.

In response to volatility in the equity markets, we will adjust our strategies as appropriate regarding our investment in funds based on our analysis of the securities markets in a timely manner. As of June 30, 2011, funds represented approximately 3.0% of our investment assets. See the section headed "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Use of Insurance Funds — Funds and Equity Investments — Securities Investment Funds."

The following table sets forth the carrying value relating to our fund portfolio as of the dates indicated:

| | As of December 31, | | | | | | As of June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2009 | | 2010 | | 2011 | |
| | Carrying Value | % | Carrying Value | % | Carrying Value | % | Carrying Value | % |
| | (RMB in millions, except percentages) | | | | | | | |
| Close-ended funds | 813 | 27.4% | 432 | 3.3% | 1,059 | 6.5% | 807 | 8.0% |
| Open-ended funds | 2,156 | 72.6% | 12,831 | 96.7% | 15,297 | 93.5% | 9,279 | 92.0% |
| **Total** | **2,969** | **100.0%** | **13,263** | **100.0%** | **16,356** | **100.0%** | **10,086** | **100.0%** |

*Stocks*

Qualified PRC insurance companies have been permitted to invest a portion of their insurance funds directly in RMB-denominated shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange. We intend to adjust our investment in stocks in a timely manner with the objective of optimizing our investment portfolio to improve our overall risk-adjusted investment returns. As of June 30, 2011, stocks directly held by us represented approximately 6.2% of our total investment assets. Please refer to "Risk factors — Risks Relating to the PRC Insurance Industry — We may suffer significant losses on our investment assets or experience sharp declines in our investment returns as a result of our exposure to fluctuations in the equity markets in the PRC."

***Other Investments***

Currently, our other investments primarily consist of statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, which accounted for 2.5% of our investment assets as of June 30, 2011.

In addition to the investments discussed above and subject to compliance with PRC solvency margin requirements and other applicable PRC regulations, we may invest in other areas in order to optimize our asset allocation and diversify our investment portfolio. We seek to further explore new investment channels to improve our asset-liability matching and enhance our investment returns while controlling our risk exposures.

**Risk Management and Internal Control**

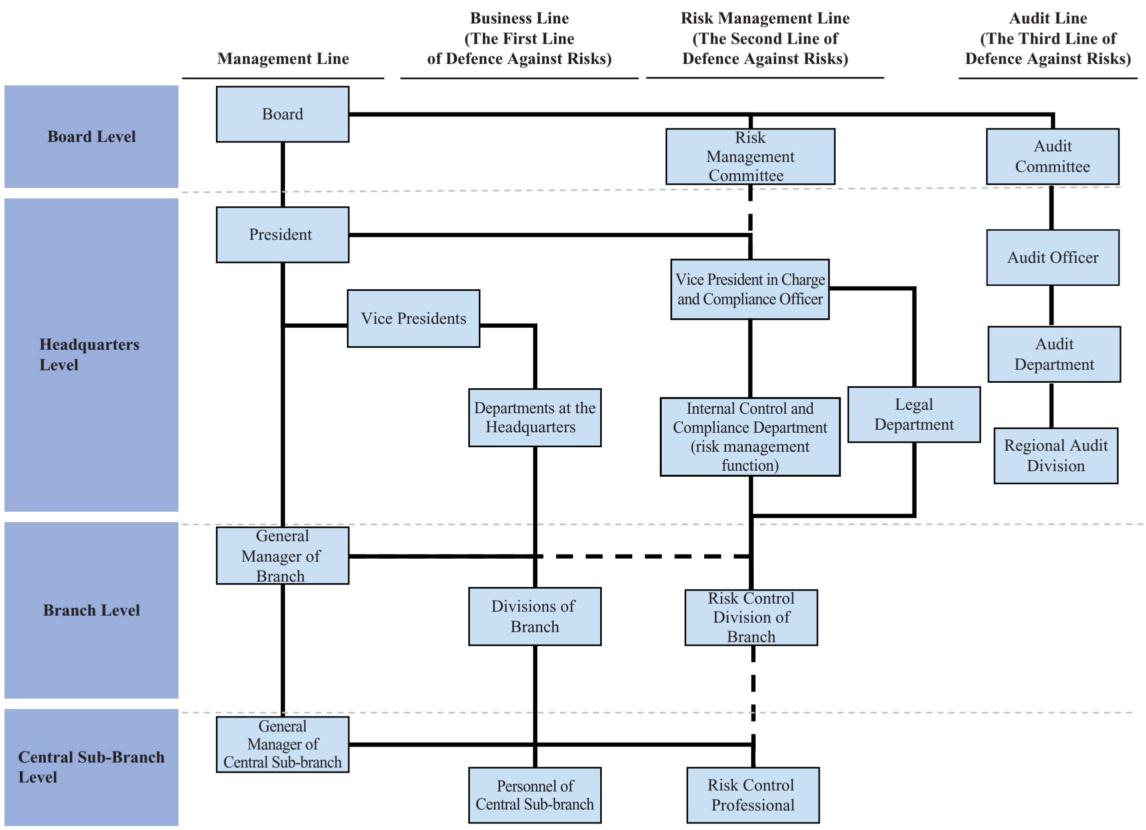
Risk management and internal control are fundamental to our operations and our long-term growth. In recent years, we have devoted substantial resources to improving our risk management and internal control by establishing a comprehensive, unified framework for risk management and a system of internal control, as well as further strengthening our capabilities in these two areas. Our risk management framework is designed to identify, assess and control risks in our operations in order to support our business decisions and ensure prudent management.

***Risk Management System***

We have established an Audit Committee and a Risk Management Committee under our Board to oversee our risk management activities. In addition to the Board committees, our senior management and certain departments, including the Internal Control and Compliance Department, the Legal Department and the Audit Department, are responsible for the day-to-day activities relating to risk management and internal control. We have established a three-line defense mechanism comprising the (i) operational departments at our headquarters and branch entities, (ii) the departments and offices responsible for risk management and (iii) the departments and offices responsible for internal auditing.

We have established risk management and control divisions at each of our subsidiaries to perform certain risk management duties and responsibilities, including, but not limited to, risk control and compliance, legal review and supervision and audit supervision, at the branch level or below.

The following chart sets forth the organizational structure of our risk management system as of the Latest Practicable Date:




***Risk Management Organizational Structure***

*Audit Committee*

We have established an Audit Committee under our Board which is primarily responsible for the coordination, monitoring and supervision of our internal and external audit functions.

The Audit Committee has the following principal duties and responsibilities with respect to risk management:

- Periodically reviewing internal control evaluation reports and solvency margin reports and providing suggestions and recommendations for improvement to our Board with respect to our internal control and solvency margin;

- Reviewing our basic internal audit policies and making recommendations to our Board, supervising our internal control, examining our core business, our rules and policies as well as their implementation, inspecting and evaluating the compliance and effectiveness of our significant business activities, and making recommendations for improvement to our Board;

- Reviewing our financial information and its disclosure, reviewing our significant financial policies and their implementation, supervising financial operations, monitoring the authenticity of financial reports and the effectiveness with which our senior management implements the financial reporting procedures, examining our annual financial budgeting and reviewing annual financial budgeting results and annual statutory audit reports, and making recommendations to our Board;

- Drafting the procedures and standards for electing accounting firms who will perform statutory audits for our annual reports, and making proposals to the Board for engaging or replacing such accounting firms; adopting appropriate measures to monitor the work of such accounting firms, reviewing various reports they prepare, and ensuring that their ultimate responsibilities are to the shareholders' general meetings, the Board and our Audit Committee;

- Coordinating the communication among our internal audit departments and external auditors;

- Formulating rules on connected transactions, determining standards for material connected transactions, identifying connected persons and reporting to the Board and the Board of Supervisors; and

- Reviewing connected transactions, and preparing special reports for the Board with respect to our connected transactions and the implementation of our connected transactions management procedures.

For the composition of the Audit Committee and their members' professional qualification and industry experience, see "Directors, Supervisors and Senior Management".

*Risk Management Committee*

We have established a Risk Management Committee under our Board which is responsible for overseeing our risk management activities and ensuring the security of our operations.

The Risk Management Committee monitors the operational effectiveness of our risk management system by comprehensively analyzing the significant risks we face and the related measures we take to address those risks. The Risk Management Committee is primarily responsible for the following tasks and for proposing appropriate measures to the Board:

- Reviewing the risk management's overall objectives, fundamental policies and working process, monitoring their implementation and evaluating the effectiveness thereof;

- Reviewing and amending the principles with respect to our risk appetite and risk tolerance;

- Formulating, monitoring and evaluating the organization of, as well as the duties and responsibilities for the risk management mechanism and making recommendations to improve our risk management;

- Reviewing the risk assessment relating to significant decision-making and proposing measures to address significant risks;
- Supervising and evaluating the risk control carried out by our senior management with respect to risks such as market and operational risks;
- Performing periodic evaluations of our risk profile and reviewing the comprehensive risk management reports submitted by the risk management department(s); and
- Periodically reviewing compliance reports and making recommendations to the Board with respect to compliance issues.

For the composition of the Risk Management Committee and their members' professional qualification and industry experience, see "Directors, Supervisors and Senior Management."

*Senior Management*

The principal duties and responsibilities of our senior management with respect to risk management include:

- Assuming responsibility for day-to-day, comprehensive risk management and compliance activities and ensuring that the risks we face are within our risk tolerance range;
- Executing risk management strategies approved by the Board, formulating a sound organizational system for our risk management and compliance management activities in accordance with the decisions of the Board and reviewing our policies with respect to risk management and compliance;
- Organizing the day-to-day operations of our internal control system;
- Examining and approving our risk exposure limits;
- Establishing an internal system of responsibility for risks;
- Establishing internal emergency response system for significant risks; and
- Promoting the development of our risk management culture.

*Compliance Officer*

We have one Compliance Officer. The principal duties and responsibilities of our Compliance Officer with respect to risk management include:

- Formulating and amending our compliance policies and reporting to the President for review;
- Conveying compliance policies approved by the Board to our employees and individual insurance agents, and organizing the implementation of such compliance policies;
- Formulating our annual risk management and compliance plan, handling the overall responsibilities relating to compliance management and overseeing our compliance department and compliance positions;

- Periodically making recommendations regarding measures for improving our compliance to our President and the Risk Management Committee of the Board, and timely reporting the non-compliant activities of our Company and the senior management;
- Reviewing compliance of our important policies, systems and decisions; and
- Reviewing and signing various compliance documents, such as compliance reports, prepared by our compliance management departments.

*Audit Officer*

We have one Audit Officer. The principal duties and responsibilities of our Audit Officer with respect to risk management include:

- Organizing our internal audit activities;
- Organizing the formulation and facilitating the implementation of our internal audit policies, annual audit plans and audit budgets;
- Improving the operational capabilities of our auditing work to ensure the quality of our internal auditing activities;
- Reporting significant issues and risks to the Audit Committee under our Board and our President, and proposing measures for improvement in a timely manner; and
- Coordinating between our Audit Department and other departments.

*Internal Control and Compliance Department*

The principal duties and responsibilities of our Internal Control and Compliance Department with respect to risk management include:

- Formulating a comprehensive risk management structure, establishing a system and policies of compliance management, internal control and comprehensive risk management, and coordinating with operational departments to carry out risk management activities;
- Carrying out risk control activities through coordination with other departments, making management recommendations, conducting periodic compliance checks and preparing compliance reports and risk reports;
- Assisting the Compliance Officer in formulating and amending compliance policies and annual risk management and compliance plans as well as implementing these policies and plans;
- Examining important rules and regulations of our Company as well as significant issues relating to business operations and development, and proposing compliance-related recommendations;
- Promoting the establishment and continuing improvement of our internal control system, and preparing the internal control manual in order to improve our internal control system;
- Organizing activities such as risk monitoring, identification, assessment, as well as reporting on any significant risks;

- Developing and organizing activities relating to our anti-money laundering and anti-fraud mechanisms, as well as coordinating the implementation of other specialized risk prevention and control measures;
- Carrying out compliance trainings, implementing the code of conduct for the employees and the agents, and providing compliance consultation for them; and
- Maintaining communications with regulatory authorities.

*Legal Department*

The principal duties and responsibilities of our Legal Department with respect to risk management include:

- Establishing and improving our legal risk management system, as well as enhancing and implementing our legal management process;
- Examining our insurance products, projects, contracts and investments as well as identifying, assessing and controlling potential legal risks;
- Guiding and administering litigations and arbitration proceedings and periodically preparing reports with respect to litigations and legal proceedings;
- Participating in the establishment of our corporate governance structure and management of connected transactions, and identifying, assessing and controlling the potential legal risks involved; and
- Reviewing our major internal policies and operating procedures, and providing relevant legal advice.

*Audit Department*

Our Audit Department reports to our Audit Committee on a regular and ad hoc basis. The principal duties and responsibilities of our Audit Department with respect to risk management include:

- Preparing audit development strategies and plans, as well as performing risk-oriented auditing activities in line with our strategies;
- Establishing and improving the system for our auditing work and establishing and implementing an organizational structure and a management system for our auditing team;
- Carrying out regular audits, economic responsibility audits, special-purpose audits, off-site audits and information technology system audits for us and our branches and subsidiaries, as well as issuing audit reports and providing management recommendations;
- Establishing and improving our risk management systems, including, among others, the internal evaluation, organizing the assessment of our internal control work and preparing internal control assessment reports;
- Organizing and monitoring the implementation of post-auditing rectification activities, as well as monitoring and supervising rectification activities; and

- Being responsible for the establishment of our audit team as well as its capacity development and performance enhancement.

The Audit Department at our headquarters includes four functional divisions, which are planning management division, special-purpose audit division, off-site audit division and general information division. Our Audit Department also includes four regional audit divisions, for each of the Eastern, Southern, Western and Northern regions, based on the geographical distribution of our branches.

Some of the members of the Audit Department have obtained relevant professional qualifications including, among others, Certified Public Accountant, Senior Economist and Certified Internal Auditor. Many of the members of the Audit Department have accumulated related industry experience with industry peers and accounting firms as well as our branch entities.

*Regional Audit Division*

We have four regional audit divisions responsible for the auditing work of our branch entities. The principal duties and responsibilities of our Regional Audit Division with respect to risk management include:

- Formulating annual audit plans in accordance with the requirements of our Audit Department and implementing such plans after approval by our Audit Department;

- Implementing the rules and policies and operational standards set forth by our headquarters, carrying out regular and special-purpose audits for entities under our headquarters, as well as audits for some of our senior management;

- Participating in relevant audit projects organized by the Audit Department;

- Reporting matters with significant risks arising from our branch entities in a timely manner in accordance with the requirements of our headquarters;

- Collaborating with relevant departments in investigating and verifying complaints lodged within respective regions;

- Providing feedbacks on the operation of our audit process and proposing measures to improve such process; and

- Carrying out quality controls for audit projects and conducting day-to-day administration and assessment for and providing training to divisional auditing personnel in order to enhance the capabilities of our teams.

***Recent Risk Management and Internal Control Measures***

In recent years, in order to fulfill our risk management objectives and improve our internal control, we took a number of risk management and internal control measures. We had formulated internal control policies covering all departments, branch entities and all management aspects including sales, operations, use of funds and back office support in the process of various businesses and management activities before the fourth session of the Board was elected in 2009. All relevant departments of our headquarters issued relevant internal control policies and specified requirements; the branch entities and their sub-branches formulated the implementation rules pursuant to the requirement in line with specific status.

The functional departments share the risk management duty with respect to risks they identify and monitor, and take measures to control such risks.

However, prior to the election of the fourth session of the Board, we were still confronted with, among others, the following deficiencies in respect of our risk management and internal control: we had not yet completed the establishment of a robust and comprehensive risk management system, the competency of our risk management and control personnel might not satisfy the increasing demands from the rapid growth of our businesses, and our internal control system needed further improvement.

Since the election of the fourth session of the Board in December 2009, we have taken further measures to improve the risk management and internal control structure, as well as to enhance risk control:

**Further improving the foundations for our risk management and internal control**

- **Formulating comprehensive risk management plans and systems.** In 2010, we formulated a comprehensive risk management plan for the next five years and established our overall risk management objectives. In order to fulfill our objective set for a comprehensive risk management system for the next five years, we plan to establish a comprehensive risk management system in three steps: (i) establishing the framework and setting up the system of risk indicators; (ii) improving the procedures and enhancing the system of risk management; and (iii) achieving value-enhancing core competitiveness on risk management.

- **Improving the organizational structure of our risk management and internal control systems.** We have taken various measures to continuously improve the organizational structure of our risk management system, including, among others, appointing a Compliance Officer, establishing vertical integration of our risk management system and augmenting our internal control and compliance management departments with specialists.

- **Continuing to improve our risk management and internal control policies.** We have formulated and adopted, as well as continued to improve various risk management and internal control policies, such as the *Compliance Policy*, the *Compliance Management Measures*, the *Practical Manual for Internal Control*, the *Measures on Investigating Accountability*, the *Measures on the Penalties for Illegal Activities* and various policies relating to anti-money laundering and anti-fraud measures. These policies have covered all aspects of our business management, including sales, operations, baseline management and use of funds, and have increased the effectiveness of our risk management and internal control system. The Compliance Policy primarily comprises: (i) the objectives and essential principles of compliance management; (ii) the compliance risks and compliance management system; (iii) compliance culture; (iv) the compliance responsibilities for our senior management, directors and supervisors; (v) compliance management framework and the reporting chain; (vi) the establishment and responsibilities of the compliance departments; (vii) the key procedures for the identification and management of compliance risks; and (viii) non-compliance reporting system, compliance assessment and accountability.

- **Establishing and improving the anti-money laundering system**. For the purpose of regulating the anti-money laundering issues, we have formulated relevant internal rules including the *Anti-money Laundering Management Measures* and established a series of operating standards including the procedures of identifying customer's identity, classifying customer risk, screening and reporting large amount and suspicious transactions, which are in compliance with relevant anti-money laundering laws and regulations. The Company has established the Anti-Money Laundering Managing Group, which is responsible for providing high-level guidance regarding anti-money laundering work, and the Anti-Money Laundering Working Group, which is responsible for the Company's day-to-day anti-money laundering management. The Anti-Money Laundering Managing Group consists of the President serving as the group chairman and vice presidents and senior staff serving as members. The Anti-Money Laundering Working Group is led by a vice president and the Internal Control and Compliance Department, consisting of department heads and staff with extensive experience as members, who are from administrative departments such as the Internal Control and Compliance Department, the Fund Management and Utilization Department and the Information Technology Department and business departments such as the Individual Insurance Business Department and the Bancassurance Business Management Department. The Anti-Money Laundering Working Group currently consists of more than 20 members, with an average of ten years of working experience and three years of experience in the anti-money laundering area. The person in charge of the daily operation of the Anti-Money Laundering Working Group has 30 years of experience in the insurance industry, who is familiar with relevant regulatory and internal rules and has four years of experience in the anti-money laundering area.

- **Fostering the development of a culture and mindset that emphasize the importance of internal control and compliance among our employees.** Through a variety of methods, our management has advocated the principles of compliance to establish a corporate culture emphasizing the importance of compliance with laws and regulations. At the same time, we have carried out knowledge programs and training sessions relating to internal control and compliance through various methods, including circulating a monthly compliance and risk management report, issuing risk warning letters and preparing internal publications and training videos. We are committed to strengthening the risk management culture and further enhancing the awareness among our entire workforce of internal control and compliance.

**Continuing to improve our procedures for risk management and internal control**

- **Adopting standardized internal control procedures, strengthening supervision and inspection and streamlining our entire internal control process.** In 2009, we began using standardized internal control procedures for underwriting and renewing policies. In 2010, we commenced streamlining our internal control system, process and authorization system, which has further improved our compliance management and internal control system and process. In 2011, we continued to promote company-wide compliance and internal control rectification work and strengthened supervision and inspection.

- **Comprehensively diagnosing internal control risks and establishing a periodic risk evaluation mechanism.** Since early 2010, we took initiatives to strengthen our risk management and internal control. We engaged external consultants to perform a diagnosis and evaluation on our internal control and streamlined our internal control system. In February 2011, the CIRC issued us an opinion letter that identified certain general areas of deficiencies in our risk management and internal control. We believe that the measures we had taken addressed the issues identified by the CIRC. Currently, we have in place a preliminary annual risk evaluation system which is designed to comprehensively and systematically identify and analyze potential risks throughout our operations, management and business activities so as to identify and determine risk sources, perform quantitative and qualitative assessments of significant risks, and determine the responsive measures. In addition, we have established a periodic self-examination and self-correction process to timely evaluate our risk profile.

- **Strengthening integration of business operations.** We have started initiatives that would integrate policy maintenance, claim settlement, underwriting, production of policies and new policy return visit operations. We put into service a shared services center in Beijing in July 2011 to integrate and standardize our back-office operation and expect to activate a mobile underwriting platform and an email service channel soon to streamline customer access.

**Strengthening the assurance system for risk management and internal control**

- **Continuing to improve our information and communications mechanisms.** Based on the respective functions of each department, we have established, and continue to improve, our requirements relating to the processing of internal information, which includes the sorting, compiling, filing and reviewing of information, to ensure the timely delivery of accurate working instructions. We have also established an open and effective external communication system and have maintained timely communication with our shareholders, regulators, customers and the public.

- **Continuing to improve the management and evaluation mechanisms with respect to internal control.** We have established a self-evaluation mechanism for our internal control based on the division of labor and collaboration among our internal audit and internal control departments and other departments and organizations. We organize annual self-evaluations for each department and organization with respect to internal control, to self-diagnose problems and improve our internal control system. We include indicators relating to risk management and control in our performance evaluations.

- **Further optimizing our information technology system and improving information technology capabilities with respect to risk management.** Since 2010, we started to enhance our information technology infrastructure to improve our operations management and customer service and reduce the risk of system failures and the impact these failures may have on our business. In 2011, we promoted the implementation of a new documentation management system and continued the promotion of our new Core Business Systems and the optimization of our major information systems, all in order to render these systems in supporting our risk management and internal control more efficiently.

- **Establishing an emergency management system for internal control risks.** We have established and continued to improve our emergency management system for internal control risks and formulated a comprehensive and feasible emergency response plan. Since 2010, we continued to update our emergency response plan and have formulated the Proposed Plan for Major Emergency and other policies relating to the emergency management system, which set out measures to be taken in the occurrence of major emergencies to reduce the losses and negative impact arising from internal control risks to the extent possible.

- **Strengthening accountability with respect to internal control responsibilities.** We continue to improve our policies and management mechanisms with respect to accountability, especially the accountability relating to internal control. In 2010, we adopted the Incident Accountability Measures and the Measures on the Penalties for Illegal Activities. In addition, we have strengthened our control over specific risks, including, among others, anti-money laundering and commercial bribery.

***Management of Principal Risks***

*Market Risk Management*

Market risk is the risk of unexpected loss to a company that may result from unfavorable changes in, among others, interest rates, equity prices, currency exchange rates and commodity prices. The primary market risks that we face are interest rate risk, equity price risk and currency risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The financial assets which expose us to relatively large interest rate risk are mainly fixed income investments such as term deposits and bonds.

Equity price risk is the risk that the asset value of an equity security will fluctuate because of volatility in the equity markets. Our equity securities include stocks and fund investments.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Our investment assets denominated in U.S. dollars or Hong Kong dollars are exposed to such currency risk.

We have adopted the following measures to manage market risk:

- We identify, assess and analyze the market risk we face, and we have established and continue to improve a system of market risk control which will allow us to control potential market risks under an acceptable level;

- We examine and manage our interest rate risks through asset-liability matching, especially duration matching, to the extent possible, to reduce the overall interest rate risk of the Company;

- We have strengthened our management of strategic asset allocation and enhanced our investment portfolio management capabilities. In compliance with regulatory requirements, we have made efforts to further disperse and diversify risks in order to reduce interest rate risk and equity price risk of our portfolio; and

- We have increased our capital base to improve our capability to mitigate risk exposure.

For more information, see the section headed "Financial Information — Quantitative and Qualitative Disclosure About Market Risk."

*Credit Risk Management*

Credit risk is the risk resulting from the failure of obligors or counterparties to perform, or perform timely, their contractual obligations, or a deterioration in the credit profile of relevant parties. Our credit risk can be classified as counterparty credit risk and reinsurance credit risk.

Counterparty Credit Risk

Counterparty credit risk is the risk resulting from the failure of counterparties to perform, or perform timely, their contractual obligations or a deterioration in the credit profile of relevant parties. For our investment business, we are exposed to counterparty credit risk through our holdings in corporate bonds, non-government-policy financial bonds, term deposits and financial assets purchased under agreements to resell. We have adopted the following measures to manage our counterparty credit risk:

- We formulate prudent credit asset investment strategies with respect to financial assets which expose us to credit risks, such as deposits, bonds, securities purchased under agreements to resell, and we seek to lower the credit risk of investment assets by controlling the credit quality of our investment assets; and

- We have strengthened risk assessment and we require asset management personnel responsible for specific investment operations to establish a sound system of internal credit rating and improve internal credit rating policy as a supplement to external credit rating in order to control the credit quality of investment assets effectively.

Reinsurance Credit Risk

Reinsurance credit risk is the risk of the inability to recover indemnities or amounts from the counterparty to a reinsurance agreement resulting from their default, which in turn may cause us to incur losses.

In order to manage reinsurance credit risk, we have adopted relatively cautious strategies for selecting our reinsurers, adhering to the requirements set forth in the Circular on Issues Concerning Security of Reinsurance Business (Bao Jian Fa No. [2007] 112) promulgated by the CIRC. We also carry out activities relating to our reinsurance arrangements in line with the stipulations set forth in the aforementioned notice. Meanwhile, we periodically monitor the financial condition and changes in credit ratings of our reinsurers, and take timely measures in the event of any deterioration.

*Insurance Risk Management*

Insurance risk is the risk of loss resulting from the deviation between our actual experience and actuarial assumptions with respect to, among others, mortality, morbidity, loss ratio and surrender ratio. The insurance risk that we face is mainly the risk of actuarial assumption deviation. We have adopted the following measures to manage the risk of actuarial assumption deviation:

- We use our empirical data to determine actuarial assumptions which we use as a basis for implementing pricing and profitability analysis during our product development process and carrying out the activities involved in actuarial pricing and related tests. At the same time, we have strengthened our empirical analysis with respect to various insurance risks, and adopt appropriate measures in a timely manner as changes occur with respect to such risks, to manage them and minimize their adverse impacts on us; and

- We control insurance risk through our underwriting standards and reinsurance arrangements. With respect to our underwriting standards, we have enhanced our management over limits of underwriting of large policy amounts. In addition, throughout the underwriting process for each insured party, we implement underwriting procedures appropriate for their specific conditions to ensure that their individual risks are within our acceptable risk tolerance range. With respect to reinsurance, our reinsurance agreements cover substantially all products containing insurance risk. Through our reinsurance agreements we can partially shift our insurance risks and maintain the stability of our financial performance.

*Operational Risk Management*

Operational risk is the risk of direct or indirect loss resulting from incomprehensive internal processes, personnel and systems, or from external events, including legal and regulatory compliance risk. We have adopted the following measures to manage operational risk:

- We formulate our business operational guidelines, relevant working systems and procedures and related instructions and use various internal control measures to lower the operational risk, including providing trainings, performing reviews on our day-to-day operations, overseeing the segregation of duties, periodically reviewing management reports, handling client feedback and establishing information technology system policies;

- We implement compliance review procedures during the process of formulating and amending our Company policies in order to ensure that our policies, operating procedures and internal control measures are consistent with and in compliance with regulatory requirements;

- We periodically conduct internal audits throughout various functional departments and branches and sub-branches, and individually test the compliance risks at the execution level. At the same time, we examine our compliance risks during other special-purpose audits, internal audits of financial reports and external audits by accounting firms; and

- We have established dedicated positions for accounting personnel at each of our branches and sub-branches, and we timely update our accounting treatment and procedures in accordance with relevant regulatory requirements. We have integrated our information technology control into our unified accounting system, such as using the SAP accounting information system to implement a unified management system for our accounting information. We also periodically perform internal examinations to lower our accounting risk.

*Strategic Risk Management*

Strategic risk is the risk of failure to match our strategies with our capabilities or market environment due to ineffective procedures in formulating or implementing our strategies or changes in our operating environment. We have adopted the following measures to manage strategic risk:

- We have established comprehensive mechanisms for internal and external communications, developed stable sources of information and data, and we periodically update our internal and external information database;

- We have established systems for assessing internal operations and analyzing the macro-environment to strengthen our understanding of and research capabilities with respect to our internal and external environment;

- We have enhanced communications with respect to strategic objectives between the department/office responsible for strategy management and the various operational departments, as well as our headquarters and each of our branches, and we have also established mechanisms for the coordination, feedback, and adjustment among these parties; and

- We have set up a pre-warning system to track the status of our strategy implementation and the status of institutional strategies and timely adjust our strategic objectives in response to changes in our internal and external environment.

*Reputational Risk Management*

Reputational risk is the risk of our loss resulting from events which negatively impact our brand and reputation. During the ordinary course of business we may face unfavorable media coverage, which may cause significant reputational harm to us, disrupt our business operations, and even lead to large-scale surrenders of our insurance policies.

In order to effectively manage reputational risk, we have proactively strengthened the development of our brand and corporate culture, and carried out professional brand promotional activities. We are proactively exploring approaches to guard and promote our brand and reputation so as to promote business development and enhance our brand image. We have established special mechanisms for crisis prevention and management, and improved our system-wide capabilities in monitoring and responding to media coverage, using as guidance on our analyses of our management of crises. At the same time, we have strengthened our external communications, in an effort to prevent and manage crises, and maintained favorable relationships with external sources.

*Liquidity Risk Management*

Liquidity risk is the risk of not having access to sufficient funds or having to obtain financing at a higher cost when our obligations mature or when we must fulfill our payment duties. Our cash inflow primarily consists of premium income, investment income and capital injections. Cash outflow primarily consists of payments for claims and benefits, policy surrenders, significant investment expenditures, and expenditures on projects such as the establishment of branches and sub-branches. In the event that we encounter a dramatic increase in surrender or a concentration in maturing obligations, we may face increased liquidity risk. We have adopted the following measures to manage liquidity risk:

- We carry out cash flow forecast on a quarterly basis and file it with the CIRC. Each of our relevant departments performs periodic monitoring and testing of its cash flow conditions, and periodically communicates among themselves with respect to the cash flow situation of our assets and liabilities, which is then considered during the decision-making and management processes of our operational activities;

- We have further strengthened our management over the matching of cash flow between our assets and liabilities, and we focus on cash flow related issues during product development, operations management and investment management. We carry out measures in advance to guard against liquidity risk in order to help ensure our long-term operational stability;

- We proactively explore new investment channels in accordance with applicable regulatory requirements, and make timely adjustments to our asset allocation by resorting to these new channels; and

- We have formulated the relevant emergency plans to prepare for payment crises that may result from major cash outflows triggered by emergencies, and strictly require the company-wide implementation of these plans.

**Internal Audit**

Drawing upon advanced international concepts and methods, we carry out risk-oriented audits, performing comprehensive audits for the various types of risk encountered during our financial management, operations management and general management processes, as well as performing focused audits for the high risk areas. In addition, we have increased our efforts in audit supervision as well as the scope of our audits, which currently covers our headquarters, branches, central sub-branches and sub-branches. Our audits include, among others, regular audits, special audits, information system audits and audits of senior managers during their tenure or upon their departure.

We have improved the organizational structure of our auditing team and established the Audit Committee under the Board to guide the internal auditing activities of our Company. We have also established four regional auditing divisions, for each of the East, South, West and North regions, based on the geographical distribution of our branches and sub-branches. Each regional auditing division is mainly responsible for the auditing activities in the respective region. In 2010, we increased the total number of our auditing staff. Through the development of our internal audit system in recent years, we have enhanced the role of our internal audits with respect to independent supervision, and established an internal audit system with a clear division of duties.

We have augmented and enhanced our audit system and have drawn upon international experience to improve our audit procedure in various aspects. We have formulated a number of policies relating to our audit procedure, including the Measures for Managing Internal Audits, Measures for Managing the Audits of Directors and Senior Managers and the Manual on Audit Practices, all of which are designed to define the auditing responsibilities and provide management guidelines for each relevant department, and to enhance rectification of the problems identified during the audit process. Such policies facilitate the efficient and effective management of our auditing system. In addition, we have used our information system as assistance, among other measures, to provide us with more assurance regarding our ability to meet our internal audit objectives.

**Information Technology**

We believe that our information technology system is critical to the efficient operation and performance of our business and is a key contributor to our success and our future growth. Important operational and managerial areas that rely upon information technology include, among others, product development, underwriting, claims settlement, sales support, distribution channel management, customer relationship management, investment management, actuarial practice, financial management, statistical analysis and risk management.

We are committed to adjusting the development of our information technology to serve our overall development strategies. We plan to continue to enhance our information technology system by systematically upgrading our current system and, in the next three to five years, strengthening the development of our overall information technology capabilities with respect to analysis, decision-making and support, in order to provide effective support to and secure our business development and strategy implementation.

Our Information Technology Department reports directly to our Information Management Committee under the oversight of our senior management and is responsible for developing plans relating to information technology and supervising and coordinating with other departments with respect to the operation and improvement of our information technology system to provide comprehensive support to our sales, business management and decision-making. Our Information Management Committee is responsible for reviewing our strategic plans, policies and budget for information technology, as well as examining and supervising the operation of our information technology system.

Our key information technology systems consist of our Core Business System (including, among others, insurance policy management, product management, underwriting, claims settlement, individual insurance agents and intermediaries management systems), SAP-based accounting system, bancassurance management system[1], call center system, data management and analysis system, business tracking and analysis system and the CIRC information submission system. Our infrastructure framework contributes to the development of our information technology system and the enhancement of its processing capabilities and usability. Similarly, our data centers provide us with stable operating conditions. Our established web-network facilitates high-speed data transmission and effective communications of administrative information among our headquarters, branches, central sub-branches and sub-branches in the PRC.

Key features of our information technology systems include:

- **System framework that effectively supports centralized operation management.** In our core business operations, we adopt an operation processing system covering all major types of our insurance products and our entire working procedure, which effectively supports our operation development. The centralization of our information technology system enables us to operate across different regions under standardized management and control.

- **Reliable Operation System.** Our key information processing systems, such as our Core Business System, SAP-based accounting system and various transaction systems, have designs with high usability and can effectively protect us against impacts to the system caused by equipment damage. All of our key processing systems possess data backup mechanisms, which can be utilized in the event of a disaster or failure of our main system. For our operating and financial data, we have established an emergency disaster recovery center in Shenzhen. In the event of a failure of our key application systems or communication network, we believe our business activities would not be significantly disrupted, and our backup data would not be susceptible to the impact of any such system failure, accident, or disaster.

- **Professional Information Technology System.** We launched the SAP-based accounting system in 2003, and we were the first SAP-certified life insurance company in the PRC. We began establishing a centralized Core Business System in 2005. We have established centralized management, operation and maintenance of our core business operations and financial data.

### Competition

The number of participants and the level of competition in the PRC life insurance market have been increasing in recent years. As of September 30, 2011, there were 36 domestic life insurance companies (excluding the life insurance business of China United Insurance Holding Company Limited) with business licenses to carry out life insurance business. As of the same date, 25 foreign-invested life insurance companies had received business licenses.

Competition in the PRC life insurance industry depends on a number of factors, including, among others, product design, pricing, capabilities of the sales force, reputation, financial strength, customer services, claims settlement service and underwriting experience. Furthermore, in recent years, the PRC life insurance industry has witnessed increasing diversification of distribution channels, as well as increasingly intense competition. With respect to the individual insurance agent distribution channel, the costs required to expand the size of our individual

(1) An information technology system that allows bank staff to access our insurance business system.

insurance agent team are gradually increasing. In addition, in the PRC life insurance industry, the demand for experienced individual insurance agents is increasing. The implementation of Notice No. 90 and the Bancassurance Guidelines may lead to an increase in difficulties of and costs for sales through the bancassurance channel. With respect to group insurance, competition among life insurance companies in the PRC to secure contracts with large enterprises may trigger a noticeable pressure on our profitability.

In the PRC life Insurance market, our primary competitors are domestic and foreign-invested insurance companies that conduct life insurance, pension insurance and health insurance businesses, including China Life, Ping An Life, China Pacific Life, PICC Life, Taikang and American International Assurance Co., Ltd. At the same time, we have firmly held our competitive position within the PRC life insurance industry. According to data published by the CIRC, in terms of gross premium income (prior to adjustments made in accordance with Interpretation No. 2), our market share increased from 7.6% in 2008 and 8.2% in 2009 to 8.9% in 2010 and our ranking among all life insurance companies rose from fifth in 2008 to third in 2010. For the first nine months of 2011, we ranked fourth in the PRC life insurance market with a market share of 9.7% in terms of gross premium income (after adjustments made in accordance with No. 2 Interpretation). With respect to participating products, we enjoy a leading position among the life insurance companies operating in the PRC. In 2009 and 2010, we ranked second in the PRC in terms of gross premium income of participating products, possessing a market share of 11.5% and 12.0%, respectively.

In addition, some of our primary competitors may have access to greater financial, managerial and other resources than us and may have more extensive operating experience than us. We plan to enter, subject to the CIRC's pending approval, certain new areas of business, such as senior care and health care businesses, which have significant growth potential. However, we also face many potential competitors who plan to enter these businesses. Certain competitors have already started their operations within these businesses to certain degree. With respect to our participating insurance products, which have been well-received by customers in the market, our competitors also introduced similar products. We also face competition from smaller life insurance companies, which have been making efforts to expand their market shares and may develop strong positions in certain regions in the PRC. In addition, we face potential competition in the PRC from insurance companies invested by commercial banks.

### Legal Proceedings and Administrative Penalties

#### *General*

We are involved in legal proceedings and have received administrative penalties in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative penalties relating to our usual business that would, individually or in the aggregate, have a material adverse effect on our business, results of operations and financial condition.

From time to time, the CIRC and other PRC governmental agencies, including the SAT, the SAIC, the PBC, the PRC Ministry of Human Resources and Social Security and their local counterparts make inquiries and conduct on-site or off-site examinations or investigations concerning our compliance with PRC laws and regulations with respect to our financial condition and business operations, our solvency adequacy, tax payment and employee and social welfare, among other things.

According to the Administrative Provisions on Insurance Companies, the CIRC conducts both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the

CIRC or its local representative offices on an insurance institution may focus on one or more aspects, including its capitalization and reserves, solvency margin ratio, use of funds, financial condition, cooperation arrangements with insurance intermediaries, qualification of senior management and other matters deemed necessary by the CIRC.

***CIRC Inspections***

From March to September 2010, the CIRC and its local representative offices conducted on-site internal control evaluations and financial and operational compliance inspections at our headquarters and 33 of our branches to comprehensively evaluate the conditions of our Company's corporate governance and internal control since 2007. The CIRC issued its formal assessment on our internal control and financial and operational compliance in relation to its on-site evaluation and inspection in February 2011, which set forth its conclusion that our Company had improved its corporate governance structure, established and improved its rules of procedure, strengthened financial and business control and enhanced centralized management since the introduction of new shareholders in 2009. However, the CIRC also identified our primary deficiencies with regard to compliance management and internal control, including:

- There were significant risks in fund management. As a pre-warning system on abnormal movements of funds was not in place, the Company's fund management system had not been integrated into its Core Business System, and there were deficiencies in the bank account management of its branches;

- Management of expenses was insufficient, expense reimbursement lacked proper authorization and supervision over management of expenses was ineffective;

- The documentation and seals management system was inadequate, the practice of assigning dedicated personnel to specific posts for documentation management started late, a systematic control for certain important documentation was not in place, and loss of documentation occurred;

- There was insufficient supervision over sales, resulting in sales misrepresentation;

- The operation performance management needed to be improved, and the management of sales activities needed to be enhanced in terms of training, customer visits and complaint handling;

- There was non-compliance in the operation of the group insurance business, resulting in the failure to implement the insurance terms and premium rates filed with the CIRC and non-compliance with the required number of the insured persons;

- The functioning of the information system and data management needed to be further improved; the headquarters needed to enhance its control over certain of its branches' outdated group insurance business system; and the function and operation of the Core Business System needed to be improved; and

- The control environment was inadequate, as the management did not pay enough attention to internal control, the risk management units lacked independence, and the auditing was inadequate.

At the same time, the CIRC required us to rectify the identified deficiencies. Specifically, the CIRC required that we:

- continue the reform and further transform our modes of development, and improve internal control and enhance our risk management;

- streamline the internal control system and systematically identify its deficiencies, establish a sound system of internal control and enhance its operability and execution ability;
- establish a mechanism to assign accountability for violations, and further improve employees' training on laws and regulations and enhance the culture and awareness of legal compliance in operation; and
- formulate a rectification plan, subdivide it into specific objectives and tasks, and clearly allocate them to relevant responsible persons.

Since 2010, we focused on our efforts to comply with the above rectification requirements and proactively promoted the internal control and compliance culture within our organization, including our headquarters and branch entities. See "Business — Legal Proceedings and Administrative Penalties — Our Internal Control Measures in Response to CIRC Inspections, Insurance Agents Qualification, Bancassurance Account Manager Qualification and Administrative Penalties."

Some of our branch entities have received notices of formal sanctions arising from these inspections from local representative offices of the CIRC. We may receive additional notices of formal sanctions from representative offices of the CIRC in the future. In August 2011, our headquarters also received, upon the completion of CIRC's administrative procedures regarding imposing penalties on individuals and institutional entities, an administrative penalty from the CIRC in relation to the on-site evaluations and inspections conducted between March and September 2010, imposing fines totaling RMB2.32 million. The violations subject to the fines included:

- certain group insurance policies included terms of Travel Inconvenience Insurance, which were beyond the scope of life insurance coverage prescribed under the PRC Insurance Law;
- the terms of certain group insurance products did not conform to those filed with the regulatory authorities, i.e. combining two group insurance products and selling the combined product to individuals;
- group insurance business units of the Beijing and Anhui branches promised certain benefits to the policyholders beyond those stipulated in the insurance contracts;
- there were false statements in expenses amounting to approximately RMB1.6 million;
- insurance agents without qualification certificates were allowed to conduct business;
- life insurance policies for minors provided death benefits that exceeded regulatory limit;
- there were misrepresentations by our staff during customer visits;
- there was improper audio recordkeeping of customer visits; and
- there were false data in the *Report on Self-Inspection on the Truthfulness of Financial and Business Data* submitted to the CIRC, false numbers of branch entities and individual insurance agents with qualification certificates.

***Insurance Agents and Bancassurance Account Manager Qualifications***

Insurance agents in the PRC are required to obtain an Insurance Professional Qualification Certificate from the CIRC in order to sell insurance policies. According to the Provisions on the Administration of Individual Insurance Agents and the Supervision and Administration of

Specialized Insurance Agencies, in the event that a specialized insurance agency hires any person without professional qualification, or an insurance company entrusts any person without an Insurance Professional Qualification Certificate or practice certificate to engage in insurance agency business, the CIRC may impose fines and/or issue warnings to such company, its relevant persons in charge and other responsible persons. We did not fully comply with the insurance agents qualification requirement in the past few years. As of October 31, 2011, about 0.3% of our approximately 204,000 individual insurance agents, or approximately 650 individual insurance agents, did not have such certificates. Historically, the primary reasons for the non-compliance and why such unqualified agents were not terminated in the past few years were (i) certain senior individual insurance agents did not renew their required qualification certificates in time and (ii) certain newly recruited individual insurance agents did not obtain the required qualification certificates in a timely manner. We have adopted remedial measures in order to further improve our compliance. In April 2011, we implemented a new recruitment policy that required all of our newly recruited individual insurance agents to comply with the qualification requirement. We have improved the trainings for our individual insurance agents and have required them to obtain the required qualification certificates. Starting from July 1, 2011, individual insurance agents who do not possess the required qualification certificates are not authorized to sell insurance policies until they obtain such certificates. Given that: (i) a significant majority of our individual insurance agents have obtained the required qualification certificates, (ii) most of the penalties imposed on us relating to this matter are warnings and fines of small amounts and, (iii) there have not been any significant administrative penalties imposed on us. Commerce & Finance Law Offices, our PRC legal counsel, is of the view that such matter will not have a material adverse effect on our current business. We have also been advised by Commerce & Finance Law Offices that, as individual insurance agents are not a party to the insurance policies we issue, the lack of relevant qualification certificates will not affect the validity of the insurance policies sold by such insurance agents.

The CIRC requires a bancassurance account manager to obtain an Insurance Professional Qualification Certificate issued by the CIRC to engage in bancassurance business. As of October 31, 2011, about 1% of our approximately 15,000 bancassurance account managers, or approximately 150 bancassurance account managers, had not yet obtained the Insurance Professional Qualification Certificate. Our headquarters and branches have been actively implementing measures to achieve 100% qualification. For more information, see "Business — Bancassurance Channel".

From January 1, 2008 to October 31, 2011, except for the abovementioned RMB2.32 million fine imposed on our headquarters by the CIRC in August 2011, we had been imposed fines amounting to RMB2.82 million in total due to our above non-compliance and certain other violations, which was also included in the total amount of RMB14.48 million of administrative penalties described in subsection "— Administrative Penalties" below. We do not expect any future penalties imposed on us with respect to the abovementioned non-compliance, if any, to have any material adverse effect on our results of operations and financial condition.

***Administrative Penalties***

In the past, we have been found to have violated certain laws and regulations, causing us to be subject to administrative penalties such as fines. During the period from January 1, 2008 to October 31, 2011, as a result of violations of PRC laws and regulations, we and our branch entities were subject to a total of 137 administrative penalties resulting in fines and confiscations of over RMB10,000 in each case or warnings by various PRC regulatory bodies (including, but not limited to, the CIRC and its representative offices, tax administrations and the representative offices of the PBC and the SAIC). Such fines and confiscations totaled RMB14.48 million. The details of the abovementioned administrative penalties are as follows:

- 92 administrative penalties were imposed by the CIRC and its local representative offices, resulting in fines of approximately RMB10.36 million in aggregate;

- 11 penalties were imposed by the local representative offices of the PBC, resulting in fines of RMB740,000 in aggregate;
- 11 penalties were imposed by the bodies under the SAIC, resulting in fines of approximately RMB670,000 in aggregate;
- 12 penalties were imposed by tax administrations, resulting in fines of approximately RMB920,000 in aggregate; and
- 11 penalties were imposed by other authorities (including fiscal administration authorities, judicial authorities and labor and social security departments, etc.), resulting in fines of approximately RMB1.79 million in aggregate.

Reasons for the above mentioned administrative penalties primarily include false statements of business expenses by certain branch entities, entrusting organizations or individuals without applicable qualifications for engaging in sales of insurance, falsifying information of intermediaries, operation without licenses, unpaid taxes and unlawful operation. We have paid all the fines and confiscations related to these administrative penalties, and the total amount paid accounted for a minor percentage of our total assets. In addition, these penalties did not result in any serious consequences such as affecting the legal existence or legality of the Company or its branch entities, or the revocation of business licenses required for our business operation (including but not limited to the revocation of license for the financial business operation or other business licenses). These penalties have not had any material adverse effect on our business or financial condition.

In August 2011, our headquarters received an administrative penalty from the CIRC, imposing fines totaling RMB2.32 million which has been included in the total amount of RMB14.48 million mentioned above. See "Business — Legal Proceedings and Administrative Penalties — CIRC Inspections."

***Our Internal Control Measures in Response to CIRC Inspections, Insurance Agents Qualification, Bancassurance Account Manager Qualification and Administrative Penalties***

We were committed to addressing and resolving the issues identified in the CIRC inspections and in the administrative penalties from other regulatory bodies, such as inadequacy and deficiency of compliance management and internal control. Since 2010, we have taken initiatives to enhance our internal control and to improve our comprehensive compliance management within our organization, including our headquarters and branch entities. These measures primarily included:

- Establishing the rectification leadership team and rectification executive team and the division of responsibilities and implementing the rectification measures in phases. We have reported the progress concerning the rectification measures to the Audit Committee of the Board and the Risk Management Committee of the Board several times to obtain their advice and requests;
- Convening special meetings to deploy and implement rectification requirements, and informing our entire organization of our targets, working plans and requirements of rectification. Branch entities are required to make feasible rectification plans in response to specific problems and to report their progress on a regular basis;
- Creating a culture of compliance and enhancing employees' awareness of the importance of risk control; implementing risk categorization and identification to sort out potential risks in each operation and business line; and engaging professional

advisors to examine our systems and procedures of our operation, finance, risk management and control.

- Enhancing inspection and supervision over the rectification process. We have established a special inspection group to follow and supervise subsequent rectification.

Our specific rectification measures in response to the CIRC inspections included:

1. Fund Management

In the management of our receipts and disbursements, the Company has further strengthened the requirement of zero-cash management and raised the percentage of centralized receipts and disbursements by the headquarters of the Company. The Company established a task force on improvement and rectification of receipts and disbursements in 2010 to coordinate among various departments to regulate the process of our receipts and disbursements and control risks associated with manual data manipulation. The Company's fund management system has been integrated into its Core Business System, and monitors and warns of abnormal activities on our receipts and disbursements. In the management of bank accounts, the Company has established direct transfer programs for most bank accounts, prohibiting the use of personal bank account for premium deposit and further improved the inspection system for its bank account management.

2. Management of Expenses

The Company has strengthened its management of expenses. The Company updated rules for expense reimbursement and budget management to strengthen our headquarters' and branches' expense and budget management. These rules aim to ensure the authenticity of expenses and clarify the authorization and approval mechanism on expense reimbursement. The Company has adopted a comprehensive budget management system since 2011, which covers all expense items and does not allow expenses beyond budget without authorization. The Company's budget control employs a tiered authorization and management system based on the region where the branch is located. The headquarters authorizes our branch entities to implement process control within the scope of annual budgets. During the implementation of annual budgets, our branch entities are required to abide by the parameters set for by the headquarters and monitor the implementation, analyses and evaluation of annual budgets.

3. Documentation and Seals Management

The Company centralized the document production and streamlined the overall documentation management process. The Company issued and distributed the *Measures on Documentation Management* to tightly control the documentation management process. The Company implemented a new documentation management system that strengthened the automated system control. The Company also enhanced centralized management of seals and tightly controls the engraving, use and custody of the seals as well as other procedures.

4. Sales Management

In respect of the management of training system, the Company formulated the *Rules of Training Management on Individual Business* and *Rules of Training Management on Group Business* as well as other internal policies that govern the development, use and subscription of training materials. As to the management of advertisement materials, the Company formulated the *Rules of Product Information Disclosure* and the *Notice of Further Strengthening the Management of Advertisement Materials of Bancassurance Products* to restrict the use of advertisement materials and systematically regulate the accountability, process, supervision and management of advertisement materials. The Company also set up a mechanism to conduct inspection on an ad hoc basis. The Company has taken a series of steps in terms of the management of the required qualification certificates for its individual insurance agents, including (i) comprehensive monitoring of the percentage of individual insurance agents with such qualification certificates, (ii) strengthening the training of the individual insurance agents to assist them in passing the examination for the required qualification certificate, and (iii) stipulating that only qualified individual insurance agents can be newly recruited. In respect of underwriting, the Company had issued the *Management Manual for Underwriting Business* to standardize the management of underwriting operation in the branch entities.

5. Operation Performance Management

In order to assess operation performance, the Company implemented the policies on the assessment of the performance of its distribution channels including individual, group and bancassurance channels and increased the penalty imposed on persons responsible for significant sales misrepresentation incidents. In relation to customer service, the Company included the success ratio of customer visits in the performance evaluations, and urged all branch entities to enhance the management of customer information and establish penalty mechanism. Furthermore, the Company developed a customer complaint management system, revised customer complaint management rules, and further clarified responsibilities in connection with customer complaints and approval authorization.

6. Management of the Group Insurance Business

For the problems arising from the underwriting process in the group insurance business, the Company has ceased selling non-compliant insurance products and has developed new alternative products that complied with regulatory requirements. Meanwhile, the Company has issued a revised *Management Manual for Underwriting Business (Group Insurance Business)* to further standardize the procedures for underwriting in the group insurance business. The Company has also controlled the premium rate fluctuation through prior review and approval and regular inspection afterwards, and has begun to gradually centralize the group insurance underwriting authority to our headquarters. In addition, the Company has established control over the minimum number of members in group insurance policies in the underwriting system.

7. Information System and Data Management

The Company strengthened its information system and optimized the management process of information system, including system development, system operation and maintenance and system security. For the improvement of information system functions, the Company completed the transfer of most of the data from an old group insurance system to a more advanced one, and further improved the functions of the Core Business System such as the optimization of the business / financial data interface and the establishment of documentation system. For internal control of the information system, the Company (i) improved the existing management system such as the account management system, (ii) standardized the management process, (iii) established a notification mechanism for the timely deletion of former employees, and (iv) conducted periodic review and clearance of user authorization. To ensure the consistency, accuracy and timeliness for external reporting, the Company has designated a specific department as the only gateway for reporting information externally, while requiring all relevant departments to ensure the accuracy of reported information that came from their departments.

8. Control Environment

The Company improved the overall environment for internal control through personnel management, internal audit and anti-fraud measures. In respect of human resource management, the Company has (i) gradually improved the policies and procedures relating to human resources management, (ii) established a transparent system for the appointment of employees, (iii) strengthened the compliance training, (iv) regularly conducted the audit of operation accountability. In respect of internal audit functions, the Company established an audit system that centralizes the management of headquarters and branches and maintains the regional independence. In respect of anti-fraud measures, the Company (i) further enhanced the anti-fraud procedures, (ii) clarified the organizational structure and duties, (iii) continued to assess potential risks of fraud, (iv) improved internal control procedures, and (v) established reporting channels and investigation procedures.

Although we have taken a number of measures to prevent future violations of laws and regulations and have adopted a set of internal procedures to monitor our litigation and regulatory disclosure, we may not be able to achieve full compliance with all laws and regulations within a certain period of time as the legal and regulatory framework governing the operations of PRC insurance companies is evolving and undergoing significant changes. Furthermore, our growth and expansion have imposed additional demands on us to enhance our management and required us to invest more resources to strengthen our ability to maintain stringent internal controls.

***Cases of Taizhou and Yongzhou***

WANG Furong was a former employee of the Taizhou central sub-branch of our Jiangsu Branch, where he was responsible for its group insurance business since 2003. We discovered in early 2007 that WANG Furong had been involved for some time in what appeared to us then to be non-compliant business activities, and removed him from his position of deputy general manager at the Taizhou central sub-branch to enable us to conduct follow-up investigations while we still retained him as an employee. Through a follow up investigation after he was removed from his position at the Taizhou central sub-branch, we found out that WANG Furong was engaged in allegedly fraudulent activities and we turned him over to the local police in October 2009. According to the notice issued by the CIRC, WANG Furong allegedly defrauded and misappropriated approximately RMB350 million from 2003 to October 2009. Since WANG Furong returned a portion of the aforementioned fund to the victims, the case may cause the Company a monetary loss of approximately RMB280 million.

According to the preliminary result of an investigation conducted by the prosecutorial authorities, during the period from June 2003 to April 2007 WANG Furong conducted individual insurance business using group insurance policies. This method involved using a fictitious company to enter into group insurance policies but collecting premiums from individual customers, and then, without consent from such individual customers, applying for surrender or withdrawal under the fictitious company's name and thus obtaining refund of the policy premiums or cash value. During this period, WANG Furong obtained more than RMB56 million through such methods for his personal use. Subsequently, from April 2007 to October 2009, in order to make up the gap resulting from his previous misappropriation of funds and pay the early returns he had promised to such individual policyholders, WANG Furong, while being aware that his position in managing the group insurance business had been terminated and that the Taizhou central sub-branch had been prohibited from conducting any new "long-term group insurance business", continued to carry out fraudulent "long-term group insurance business" through deceptive means such as forging official seals and leasing private offices. As a result, WANG Furong fraudulently obtained more than RMB177 million from the public, which was used for his personal purposes. Taizhou People's Procuratorate has initiated prosecution against

WANG Furong for raising funds through fraudulent means as well as misappropriation of funds. As of the Latest Practicable Date, the case was pending the court's decision.

LI Zhiyong and LV Xiangrong were former employees at the Yongzhou central sub-branch of our Hunan Branch. Between April 2004 and January 2010, they embezzled more than RMB10 million in insurance funds paid by policyholders at several post offices and PSB branches by intercepting funds which should have been transferred to the accounts of the Company from the accounts of these post offices and PSB branches. In December 2010, LI Zhiyong and LV Xiangrong were imposed various criminal penalties including imprisonment of 15 years and forfeiture of personal property.

To protect our Company's reputation and brand, we have cooperated with governmental authorities in making prepayments in connection with the cases. Based on applicable accounting principles and on our best estimates, we have recognized impairment in full in the aggregate of RMB295 million for the potential losses in the above Taizhou and Yongzhou cases. As of June 30, 2011, we prepaid an aggregate amount of approximately RMB208 million to settle claims for these cases.

Although the amounts involved in the cases of Taizhou and Yongzhou only had a minor impact on our business operations and our financial results, the cases revealed defects and deficiencies in our internal control system, mainly on aspects such as our management of documents, official seals, insurance fund accounts and system authorizations, as well as our business management, human resource management, internal audit functions and anti-fraud measures.

Since the occurrence of these cases, and on the basis of the results of internal and regulatory investigations, we have imposed stringent internal measures to hold the individuals involved in these cases accountable, and actively increased our efforts in adopting additional measures to rectify the problems identified from these cases.

With respect to internal accountability, we expelled the persons directly responsible in those cases, and turned them to the judicial authorities. We also expelled, dismissed or demoted the persons directly overseeing these responsible persons. Furthermore, we imposed various penalties on persons in our headquarters and branch entities who were indirectly responsible. Such penalties included, among others, demotions, demerits and warnings, depending on the level of responsibility of the person involved.

To rectify the deficiencies identified from these cases, we have taken the following additional measures since 2010:

(i) Document management. We have actively streamlined our document management procedures and stipulated clearer rules governing every important step involved, such as obtaining, approving, printing, storing, receiving, verifying and filing of documents. At the same time, we have launched several targeted as well as comprehensive programs to improve our document management. Since March 2010, we have implemented a new document management system to further improve our systematic management of our documentation process as well as strengthen our system's automatic control.

(ii) Official seals management. Since January 2010, we have (i) stipulated more stringent regulations on the scope of usage, design and shapes of our official seals, (ii) set strict rules for authorizing the engraving and carving of official seals and the procedures for usage, approval, storage, renewal, phase-out and destruction of official seals, and (iii) further clarified the responsibilities and operation requirements for different individuals with different positions in the Company with respect to specific risks in the process. We also centralized the management of seals at different levels and we have put in place additional measures to control and minimize the risks associated with the usage of official seals at our lower level branch entities.

(iii) Insurance fund accounts management. Since May 2010, our Company has established a fund management system that expressly prohibits the collection of policy premiums through individual accounts of our employees. Our headquarters have also performed a number of inspections on the insurance fund accounts of our branch entities and demanded timely rectification of non-compliant activities.

(iv) Business management. Since August 2010, our Company has focused on the management of fund collection and remittance in carrying out a comprehensive review of risk factors and rectification of our internal control relating to fund collection and remittance during policy underwriting, policy maintenance, claims settlement, business and financial review. Our Company has vigorously promoted the centralization of fund collection and remittance throughout the entire country and gradually raised the level of centralization of fund collection and remittance, and effectively controlled the risks in the fund collection and remittance process.

(v) Human resource management. The Company has steadily strengthened the policies and procedures relating to human resource management by enhancing background investigation and establishing a transparent system for appointments. We organized special anti-corruption and compliance training sessions for our mid-level and higher level managers. We also established a rotation system for senior management and personnel at key positions and reviewed business management liability of managers at central sub-branch level and above on a regular basis.

(vi) Internal audit. Since July 2010, the Company has established an internal audit system with centralized management for the headquarters and regional operations while preserving regional independence. The Audit Department organizes and implements internal audit of the Company and carries out its responsibility of internal supervision and reports to the Audit Committee. The Audit Department has four divisions, each in charge of auditing branches within its area under supervision, which improve the independence of the internal audit. In addition, the Company has adopted various initiatives, including issuing audit rules, setting guidelines for audit and increasing the size of the audit teams, to ensure the effectiveness of our internal audit.

(vii) Anti-fraud procedures. Since July 2010, the Company has formulated certain anti-fraud risk management procedures. The Company adheres to its overall principle of "carrying through both punishment and prevention while focusing on prevention", relies on risk prevention mechanisms, focuses on the key areas and procedures of fraud prevention and enhances the execution of internal control procedures. The Company has clearly defined its organizational structure and responsibility for fraud prevention. By continuously assessing the risks of potential fraud, improving internal anti-fraud procedures, establishing reporting channels and investigation procedures, advocating our corporate culture of integrity, the Company has strengthened our employees' sense of responsibility and further enhanced our anti-fraud procedures.

The above specific rectification and improvement measures have been implemented since 2010. In addition, our Company has comprehensively analyzed the issues identified in various supervisory inspections and examinations conducted in the last two years and in assessments conducted by consulting firms engaged by us and the inspections conducted by ourselves. Some identified issues are related to our information technology system, such as management of access to our Company's accounts, terminating access of the employees who have left our Company, periodic review of account information and management of access to the account of our Core

Business System. As a result of this analysis, the Company has launched a comprehensive rectification and improvement campaign across all departments and branch entities within the whole Company since November 2010, with a view to continuing the Company's focus on enhancing internal control and to promoting a comprehensive and effective risk management regime within the Company.

***Regulatory Opinion Letter***

Since the on-site inspections conducted by the CIRC and its local representative offices from March to September 2010, we have taken a series of remedial measures to enhance our internal control and compliance management. See "Business — Legal Proceedings and Administrative Penalties — CIRC Inspections" and "Business — Legal Proceedings and Administrative Penalties — Our Internal Control Measures in Response to CIRC Inspections, Insurance Agents Qualification, Bancassurance Account Manager Qualification and Administrative Penalties." During the rectification process, we communicated with and reported to the CIRC on multiple occasions and submitted rectification reports to the CIRC in March and May 2011. The CIRC's local representative offices have reviewed the rectification progress at certain of our branches. In July 2011, the CIRC issued a Regulatory Opinion Letter to us. In this Regulatory Opinion Letter dated July 27, 2011, the CIRC set forth its conclusion that our Company has met major regulatory requirements and established a relatively sound corporate governance structure and internal control system, and that it has not discovered, in its ordinary course of regulatory inspections, any major defects in our Company's corporate governance structure and risk control, any major unlawful activities or any major risks.

In the opinion of Commerce & Finance Law Offices, our PRC legal counsel, the above legal proceedings and administrative penalties will not have a material adverse effect on our current business operations and financial condition and will not become a legal obstacle to our Global Offering and A Share Offering. We consider that the above legal proceedings and administrative penalties did not have any material adverse effect on our reputation, business, financial condition or results of operations. However, we cannot predict the outcome of any pending or future examination, investigation or litigation, we cannot assure you that any pending legal and regulatory matters will not have a material adverse effect on our reputation, business, financial condition or results of operations and we cannot assure you that any future litigation or regulatory proceeding will not have a material adverse effect on our reputation, business, financial condition or operating results. See the sections headed "Risk Factors — Risks Relating to Our Company — Litigation and disputes may result in significant financial losses and reputational harm" and "Risk Factors — Risks Relating to Our Company — Examinations and investigations by PRC regulatory authorities may result in fines and/or other penalties that may have a material adverse effect on our reputation, business, results of operations and financial condition."

**Special Events**

***Overview***

Mr. GUAN Guoliang served as our Chairman from November 1998 to December 2006. He misused insurance funds by taking advantage of his position as our Chairman and deficiencies in our past corporate governance and internal control.

As our former Chairman, Mr. GUAN Guoliang assumed responsibilities which, amongst other things, allowed him to (1) execute, on behalf of the Company, important Board documents and documents and statements filed by our Company with regulatory authorities, as well as other material agreements and documents, (2) make decisions regarding material use of funds of the Company and principal business policies, (3) control and monitor our financial condition and the status of the use of funds and (4) review and decide on the Company's internal administrative policies.

Mr. GUAN Guoliang misused insurance funds during his tenure primarily through:

(1) obtaining funds by pledging bonds held by us in repurchase transactions without our Company's due authorization, and lending certain parts of such funds to external entities which were related to Mr. GUAN Guoliang;

(2) investing insurance funds in real estate, equities and other investment vehicles in which insurance funds were banned or restricted from investing under then existing laws, rules or regulations, including:

(i) investing in real estate projects and the equities of real estate project companies such as Zijin Century;

(ii) acquiring and holding equity interests in our Company through certain companies related to Mr. GUAN Guoliang;

(iii) investing in China Minzu Securities Co., Ltd. ("Minzu Securities") through entrusted holding arrangements; and

(3) other possible misconducts which might be unknown to us.

We have in this prospectus referred to the above as the "Former Chairman's Misconduct."

The primary impact of the Former Chairman's Misconduct on our Company is as follows:

(1) It caused a monetary loss to the Company totaling RMB2,910.00 million as the Company redeemed the bonds pledged by Mr. GUAN Guoliang at the end of the term of the repurchase transactions. We proactively took measures to recover our monetary loss and have recognized full impairment for the portion of the monetary loss that we may not be able to recover in accordance with applicable accounting standards. As of June 30, 2011, such remaining impairment amount was approximately RMB1,101.62 million. We will continue to take measures to recover what we can of such monetary loss and to protect the interest of our shareholders;

(2) We are in the process of sorting out and cleaning up non-compliant investments resulting from the Former Chairman's Misconduct pursuant to relevant laws and regulations. We have recovered a 24% equity interest in Zijin Century with a book value of RMB696 million and plan to dispose of such equity interest;

(3) We have taken initiatives to respond to disputes, litigations and contingent liabilities between us and independent third parties resulting from the Former Chairman's Misconduct. For example, our dispute with Western Surety Co., Ltd. ("Western Surety") has been settled with a payment of RMB53.8 million by us. We have also made provisions of RMB430 million against contingent liabilities for the potential losses arising from the disputes with Shenzhen Airlines Co., Ltd. ("Shenzhen Airlines");

(4) We have recognized full impairment against other receivables in accordance with applicable accounting standards. Such receivables include those arising from our purchases of office premises in Heilongjiang and Shenzhen, respectively, with RMB37 million payable by Heilongjiang Guantong investment Co., Ltd. and RMB12 million payable by Beijing Huaxinrong Investment Co., Ltd.

Since the occurrence of the Former Chairman's Misconduct, in order to protect the interest of the insured and shareholders of our Company as much as possible, we have engaged external attorneys to investigate related evidence and taken measures to recover assets acquired through the investment of the funds obtained through non-compliant lending. The CIRC has concluded its investigation of the Former Chairman's Misconduct and the relevant criminal case has been referred to the prosecutorial and judicial authorities in the PRC. Notwithstanding the measures taken by us, due to the fact that:

- the Former Chairman's Misconduct occurred prior to October 2006;
- Mr. GUAN Guoliang acted without due authorization by our shareholders or our Board;
- there are no legal documents relating to the lending of funds and we are not able to obtain documentations from the borrowers regarding the details of such lending;
- the lending of the relevant funds was conducted off balance sheet of the Company; and
- the judicial proceeding in respect of Mr. GUAN Guoliang criminal liabilities remains pending;

except for what is disclosed in this prospectus, we are not able to ascertain the exact total amount involved in connection with the Former Chairman's Misconduct.

On October 27, 2008, Beijing Municipal People's Procuratorate Second Branch instituted prosecution against Mr. GUAN Guoliang for his alleged crime of misappropriation and embezzlement in relation to the Former Chairman's Misconduct in Beijing Second Intermediate People's Court. This case remains pending. We have not received any notice or other legal documents from relevant judicial authorities requiring us to participate in the litigation and have not joined such litigation as a party.

Since the discovery of the Former Chairman's Misconduct, we have cooperated with the authorities in relation to investigations and evidence gathering. To our knowledge, no other employee of our Group is subject to any criminal or administrative penalties as a result of the Former Chairman's Misconduct.

***Measures Taken in respect of the Former Chairman's Misconduct***

***Recovery for the Monetary Loss of RMB2,910.00 million***

*Monetary Loss Recovered*

Since the discovery of the Former Chairman's Misconduct, we have taken proactive steps to investigate the accounts and recover assets due from the companies which were involved in the Former Chairman's Misconduct. In 2007, to mitigate risk and to protect the interests of the insured and shareholders of our Company, Insurance Security Fund entered into equity transfer agreements with certain of our former shareholders related to Mr. GUAN Guoliang to purchase equity interests in our Company held by such shareholders in accordance with principles of civil contracts. Pursuant to such agreements, a portion of the total consideration for the equity transfers, in the amount of RMB1,454.64 million, was transferred to us in order to recover part of the RMB2,910.00 million monetary loss suffered by our Company and as a step to recover funds misappropriated in the Former Chairman's Misconduct. Upon receipt of such amount transferred by Insurance Security Fund, we recorded RMB1,455.36 million as other receivables — receivable from off-balance sheet repurchase transactions, which is the difference between our monetary loss and the amount transferred to us, and subsequently recognized impairment in full for such amount. In its Regulatory Opinion Letter dated July 27, 2011, the CIRC acknowledged our active and prudent handling of the issues relating to the Former Chairman's Misconduct. The CIRC also acknowledged the full impairment we recognized for the monetary loss and our efforts to recover assets and funds. See "— CIRC Regulatory Opinion Letter."

According to the evidence collected during the investigation conducted by the regulatory authorities and information that we obtained, Orient Group Co., Ltd. (the "Orient Group") (of which Mr. GUAN Guoliang was the vice-chairman) and its affiliates (including Orient Group Finance Co., Ltd. ("Orient Finance") of which Mr. GUAN Guoliang was the legal representative) and New Industry Investment Co., Ltd. ("New Industry") were among the ultimate recipients of our funds lent under the instruction of Mr. GUAN Guoliang in connection with the Former Chairman's Misconduct. In this respect, we have taken proactive steps to recover funds to protect the interests of the insured and shareholders of our Company. We initiated proceedings in Beijing Municipal Higher People's Court in November 2010, seeking the repayment from New Industry of the principal amount of RMB432 million borrowed from us plus accrued interest. In March 2011, we recovered RMB353.74 million from New Industry in a settlement. As a result of the foregoing, our remaining impairment amount was approximately RMB1,101.62 million as of June 30, 2011.

*Ongoing Initiatives to Recover the Monetary Loss*

We continue to seek to recover our loss and have initiated legal proceedings against (i) the Orient Group and its affiliates and (ii) New Industry in respect of the share capital of Minzu Securities.

Litigation with the Orient Group and Its Affiliates

To deal with the claims and liabilities between our Company and the Orient Group and its affiliates and to clarify the creditor and debtor relationships among the relevant parties, we initiated legal proceedings in Beijing Municipal Higher People's Court on November 5, 2010, and sought (i) payment of the outstanding principal amount of RMB860 million plus accrued interest from Orient Finance, an affiliate of the Orient Group, (ii) payment of the outstanding principal amount of RMB80 million plus accrued interest from Orient Home Co., Ltd., an affiliate of Orient Group, and (iii) joint liability by Orient Group for the above payment obligations. The Beijing Municipal Higher People's Court accepted this case on November 17, 2010. As of the Latest Practicable Date, the above case remains pending.

Disputes with New Industry and the Orient Group Relating to the Share Capital for Minzu Securities

In November 2001 and November 2002, we entrusted New Industry to hold certain equity interest of Minzu Securities on our behalf by entering into certain entrusted holding agreements with New Industry. The capital contribution for such equity interests was RMB170 million. In June 2008 and in September 2009, we and New Industry entered into further agreements seeking to terminate the entrustment relationship on the understanding that New Industry would repay us the capital contribution of RMB170 million plus accrued interest.

In July 2010, we submitted an application to Beijing Arbitration Commission to seek repayment of the capital contribution in the amount of RMB170 million plus accrued interest from New Industry in accordance with the aforesaid agreements. On December 30, 2010, Beijing Arbitration Commission ruled that New Industry should perform its repayment obligation under such agreements. New Industry applied to Beijing Second Intermediate People's Court for a nullification of the arbitration award. The Beijing Second Intermediate People's Court issued a final ruling on June 9, 2011, denying the request by New Industry.

In May 2010, with respect to the same capital contribution to Minzu Securities referred to above, the Orient Group initiated legal proceedings in Shenzhen Municipal Intermediate People's Court, seeking the repayment of the capital contribution in the amount of RMB170 million plus accrued interest from New Industry in accordance with certain agreements between the Orient Group and New Industry. Shenzhen Municipal Intermediate People's Court sent us the "Notice of Participation in the Litigation" on November 3, 2010, and permitted our participation as a third party in this litigation. In September 2011, we received a notice from Shenzhen Municipal Intermediate People's Court, which indicated that the Orient Group had changed its claim to allege that we should be jointly liable for such obligation of repayment with New Industry. As of the Latest Practicable Date, no judgment had been rendered by the Shenzhen Municipal Intermediate People's Court.

As we and the Orient Group have both claimed entitlement to the aforesaid capital contribution in the amount of RMB170 million plus accrued interest, and because the relevant legal proceedings are ongoing, there are uncertainties associated with our recovery of such funds.

***Identifying and Cleaning Up of the Non-Compliant Investments***

We have taken measures to identify and clean up the non-compliant investments arising from the Former Chairman's Misconduct pursuant to relevant laws and regulations, as well as to recover certain equity investments. We have, in particular, recovered through negotiations with New Industry the equity interests in Zijin Century corresponding to a capital contribution of RMB300 million which we entrusted New Industry to hold. The relevant registration with the Beijing Administration for Industry and Commerce, or BAIC, was completed in October 2006 and the equity interests were transferred to the Company. In addition, another portion of our equity interests in Zijin Century, representing a capital contribution of RMB300 million (which the Company entrusted Western Surety to hold), was seized by the court but the Company has now obtained the court's certification of its ownership of such equity interests through litigation. The relevant registration with the BAIC was completed through court enforcement proceedings in May 2010 and the equity interests were transferred to the Company. As of June 30, 2011, the Company held an aggregate of 24% equity interest of Zijin Century with a book value of approximately RMB696 million. Currently, we plan to dispose of such equity interest.

***Proactive Response to Other Litigation, Disputes and Contingent Liabilities***

In addition, the Company proactively responded to and handled the litigation, disputes and contingent liabilities in connection with the Former Chairman's Misconduct. As of the Latest Practicable Date, the Company had resolved the disputes with Western Surety and was responding to the disputes with Shenzhen Airlines.

*Resolved Disputes*

We have several disputes with Western Surety, including, among others, disputes relating to the consultation fees due Ever-On Consultants Limited ("Ever-On Consultants"), disputes relating to part of the capital contribution and the commission fees for holding certain equity interests of Zijin Century on our behalf. We settled with Western Surety and Ever-On Consultants in March 2011 whereby we paid Ever-On Consultants RMB20 million to settle the disputes relating to such consultation fees. In June 2011, we entered into a settlement agreement with Western Surety and made a settlement payment of RMB33.8 million to Western Surety in July 2011 and mutually agreed that such settlement and payment settled all disputed, unresolved, existing or contingent debt obligations the Company might owe to Western Surety and resolved all relevant legal proceedings.

*Litigation and Disputes with Shenzhen Airlines*

In September 2008, Shenzhen Airlines initiated legal proceedings in Beijing Municipal Higher People's Court claiming that in December 2005, Shenzhen Airlines, Orient Finance and our Company entered into the Dacheng Hotel Entrusted Acquisition Agreement. Shenzhen Airlines claimed that according to this agreement, Shenzhen Airlines entrusted us and Orient Finance to acquire Dacheng Hotel on behalf of Shenzhen Airlines for an amount of RMB600 million and that the RMB600 million was paid by Shenzhen Airlines to Orient Finance for this entrustment. Shenzhen Airlines claimed that on June 15, 2006, Shenzhen Airlines entered into an agreement with Orient Finance and us to terminate the entrustment and cancel the acquisition transaction, but Orient Finance did not return the RMB600 million owed to Shenzhen Airlines. Shenzhen Airlines seeks the repayment of RMB600 million plus accrued interest and liquidated damages from Orient Finance on the basis of the two aforesaid agreements and claims that our Company, as a trustee, should assume joint liability for such repayment.

According to our own investigation, we have neither received the alleged RMB600 million or any part of it from Shenzhen Airlines nor paid the amount as acquisition consideration on behalf of Shenzhen Airlines. We and Orient Finance objected to the claims raised by Shenzhen Airlines and presented our defenses during the trials at Beijing Municipal Higher People's Court.

Shenzhen Airlines subsequently applied for a withdrawal of its claims against Orient Finance and us, on the basis that it transferred the debt due from Orient Finance and us to Shenzhen Huirun Investment Co. Ltd. ("Shenzhen Huirun") on August 18, 2009 during its debt restructuring. The Beijing Municipal Higher People's Court granted the withdrawal.

In April 2010, Shenzhen Airlines initiated legal proceedings in Shenzhen Municipal Intermediate People's Court, seeking payment from Shenzhen Huirun for the principal of RMB600 million plus accrued interest on the basis that Shenzhen Huirun did not make any payments under the Creditor's Rights Transfer Agreement between Shenzhen Huirun and Shenzhen Airlines. Shenzhen Municipal Intermediate People's Court subsequently notified both Orient Finance and us to join this litigation as third parties. On November 18, 2010, Shenzhen Municipal Intermediate People's Court held that Shenzhen Huirun should pay Shenzhen Airlines the amount of RMB600 million plus accrued interest. This court order became effective on January 13, 2011.

Shenzhen Huirun became bankrupt in March 2010 and the court appointed an administrator. On March 14, 2011, we received a debt payment notice from Shenzhen Huirun's administrator (to our knowledge, in February 2011, Shenzhen Huirun delivered a similar debt payment notice to Orient Finance). Orient Finance and our Company both submitted objections to Shenzhen Huirun's claims in the amount of RMB600 million. We clearly stated that we did not have any payment obligations to Shenzhen Huirun. As of the Latest Practicable Date, the administrator of Shenzhen Huirun had not initiated any legal proceedings against us.

There exists uncertainty with respect to the results of the potential litigations or disputes in connection with Shenzhen Airlines. The debt obligation claim made by the relevant parties involved in such litigations and disputes alleged that Orient Finance should assume the payment obligation while our Company should be jointly liable. The Company is entitled to claim against Orient Finance for 50% of such repayment in the event that the Company has to fulfill the payment obligation. Accordingly, as of June 30, 2011, we had made provisions in the amount of RMB430 million based on the information we had and our estimate of the potential losses arising from these litigation and disputes.

*Debtor's Declaration*

On January 9, 2009, in order to ascertain the rights of any major creditor of our non-insurance business against us, we published an announcement on Financial News and requested major creditors of our non-insurance business, if any, to declare their creditors' rights against us within 45 days from the date of the announcement. As of the Latest Practicable Date, we had not received any declaration of the creditors' rights by any institution or individual in connection with this announcement. The rights of the major creditors of our non-insurance business refer to the undeclared creditors' rights that are not incurred due to insurance contracts and the outstanding amount of which exceeds RMB3 million as of December 31, 2007.

Save as disclosed in this prospectus, as of the Latest Practicable Date, we were not involved in any other unresolved claim, request of any payment or assertion of any creditor's right arising out of or in connection with the Former Chairman's Misconduct.

***Improvement and Rectification Measures to Rectify the Deficiencies in Corporate Governance and Internal Control Revealed by the Former Chairman's Misconduct***

We have been rectifying the deficiencies in corporate governance and internal control which have been revealed by the Former Chairman's Misconduct, including implementing the following measures:

***Enhancement of our Corporate Governance***

Since the fourth session of our Board was elected in late 2009, we have (i) continued to improve our corporate governance system, (ii) amended and improved the rules of procedure for meetings of shareholders, Board of Directors and Board of Supervisors which will convene their respective meetings and execute their respective duties according to our Articles of Association, (iii) established the Board committees' bylaws and procedures.

We have established four committees under the Board with distinctive responsibilities, namely, the Strategy and Investment Committee, the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee. The Strategy and Investment Committee reviews the use of funds and development strategy and plans, and the Audit Committee reviews the financial statement, corporate budget plan and formulates the policies on connected transactions.

The total number of our independent directors accounts for over one third of the total number of all directors. The Strategy and Investment Committee and the Risk Management Committee must both have independent directors as their members. Independent directors must be a majority in both the Audit Committee and the Nomination and Remuneration Committee, and the chairman for each of the Audit Committee and the Nomination and Remuneration Committee must be an independent director. In addition, we have established a Budget Management Committee, an Investment Management Committee and other committees under our senior management.

We believe these measures can help us reduce the risk of similar incidents by structurally preventing our corporate power from being overly concentrated in any single director or senior management member.

***Reinforcement of our Control over Assets Management and Use of Funds***

We have formulated the *Interim Procedure on Assets Management Authority and Authorization Management*, which requires management to submit, according to the different levels of authorization required, to the Board and the general meeting of shareholders for review and approval of assets management proposals, including trading of securities such as bonds, stocks and security-invested fund, equity investment (including merger and acquisition), purchase and disposal of assets and pledge of assets.

We clarified the authorities and procedures of the general meeting of shareholders and the Board relating to the approval of assets management proposals. The Board will assume the ultimate responsibility for the composition of investment portfolio, investment policy, risk control and compliance management. The Investment Management Committee under our senior management is responsible for preparing the *Investment Guideline* for the investment of insurance funds, subject to the review and approval by the Board. We have established guidelines on the investment of entrusted assets through the *Investment Guidelines* for New China Asset Management, which supervises and monitors risks in the entire process of investment decision-making and implementation. New China Asset Management has (i) adopted policies of centralized transaction, (ii) ensured the separation of trading, clearing, and accounting functions in the investment procedures by separating the responsibilities of the relevant departments, and (iii) strived to properly maintain transaction records through its information system and financial documentation.

We have (i) formulated the *Fund Management Manual*, (ii) improved various aspects of the authorization management system, (iii) regulated the fund management systems of our headquarters, branches and central sub-branches, and (iv) established a series of investment risk management and internal control policies and procedures as well as compliance inspection and verification procedures in connection with investment transactions. Furthermore, we have adopted an advanced fund management system through which we perform comprehensive transaction management and risk control for the funds and satisfied the regulatory requirements of non-cash and centralized settlement of accounts.

We believe these measures can help us safeguard our corporate assets and reduce the risk of potential misuse of funds in the future.

***Promotion of the Connected Transaction Management***

In order to regulate the operation of our Company and improve our corporate governance, we have established certain procedures in our *Articles of Association*, *Rules of Procedure for the General Meeting of Shareholders*, *Rules of Procedure for the Board of Directors, Rules of Procedure for the Board of Supervisors* and *Administrative Measures on Connected Transactions* on approval authority, decision-making procedure, pricing mechanism, recusal policy and the supervision of connected transactions. The general meeting of shareholders, Board of Directors and Board of Supervisors execute their respective duties in the management of connected transactions. Connected shareholders and directors are required to abstain from voting on the relevant connected transaction.

To the extent feasible, we intend to minimize connected transactions. In respect of unavoidable connected transactions, we strictly follow the requirements applicable to connected parties and connected transactions stipulated in the procedures mentioned above. To strengthen the management of connected transactions and enhance their fairness and appropriateness, the Company has adopted the following requirements:

(a) the Audit Committee to provide its professional opinions on transactions requiring Board approval, prior to the submission of the relevant proposals to the Board;

(b) independent directors to provide prior approval for related party transactions that must be approved at a shareholders' general meeting or by the Board, as stipulated by the Shanghai Stock Exchange; and

(c) the Company to seek professional opinions from external advisors in respect of (i) related party transactions between us and our related parties (as defined by the Shanghai Stock Exchange), with the total transaction amount exceeding RMB30 million and accounting for more than 5% of our latest audited net assets, subject to certain exceptions, and (ii) connected transactions and the continuing connected transactions that are not exempted from the reporting, announcement and independent shareholders' approval requirements as stipulated by the Hong Kong Stock Exchange.

We have formulated a five-year plan of comprehensive risk management to (i) further establish a comprehensive risk management structure, (ii) improve our risk management system, (iii) strengthen our risk management capabilities, and (iv) establish a three-line defense mechanism consisting of all our functional departments and branch entities, risk management departments, and internal auditing departments. See subsection "Business — Risk Management and Internal Control" in this prospectus for more details on our initiatives to improve risk management and internal controls.

***CIRC Regulatory Opinion Letter***

In its Regulatory Opinion Letter dated July 27, 2011, the CIRC set forth the following:

(a) In 2009, we (i) elected our fourth session of the Board, (ii) established and improved a corporate governance structure consisting of the general meeting of shareholders, the Boards of Directors, the Board of Supervisors and senior management, (iii) established Strategy and Investment Committee, Audit Committee, Risk Management Committee, and Nomination and Remuneration Committee, (iv) established the independent director mechanism and (v) amended and improved the rules of procedure for the meetings of shareholders, the Board of Directors and the Board of Supervisors. Following the implementation of these measures, we preliminarily achieved a relatively robust corporate governance structure and we have improved our internal control and risk management capabilities.

(b) The CIRC acknowledged the active and prudent handling by our new Board of Directors since 2009 of the issues relating to the Former Chairman's Misconduct. In particular, the CIRC also acknowledged the measures we have taken in handling the Former Chairman's Misconduct such as recognizing impairment in full for the RMB1,455 million monetary loss we incurred and making efforts to recover assets and funds.

The CIRC set forth the following conclusions: our Company has met major regulatory requirements, and that CIRC has not discovered, in its ordinary course of regulatory inspections, any major defects, any major unlawful activities or any major risks in our Company's corporate governance structure and risk control. The CIRC approved our Company's application for a public offering and becoming a listed company, acknowledging that such capital raising will strengthen our Company's capital position and benefit our Company's sustainable growth in the long term.

***The Effect of the Former Chairman's Misconduct on our Company***

The Former Chairman's Misconduct occurred prior to October 2006. We have identified and examined potential major risks, and have taken various initiatives to minimize the risks and recover relevant losses, so as to mitigate the adverse impact of the Former Chairman's Misconduct on our assets, business operations and financial condition. We strive to protect the rights and interest of our shareholders and investors to the extent possible. We have taken the following actions:

(i) established special offices, engaged professional advisors, gathered evidence through the investigation of accounts, and responded actively to relevant disputes and litigations;

(ii) investigated and cleaned up the accounts which were related to Mr. Guan Guoliang and involved in his misconduct;

(iii) checked the balance of pledged bonds against bank documents and with bond registration companies, sorted out and cleaned up in 2007 the unauthorized bond repurchase transactions;

(iv) protected our assets proactively by recovering funds and equity interests and sorting out and cleaning up non-compliant investments from the Former Chairman's Misconduct;

(v) employed prudent accounting treatment, checked the accounts with relevant companies, and recognized full impairment of receivables in relation to the Former Chairman's Misconduct and made provisions against contingent liabilities;

(vi) voluntarily published an announcement soliciting claims of creditor's rights; and

(vii) strengthened internal controls and corporate governance.

As of the Latest Practicable Date, we had not received any claims of creditors' rights by any institution or individual in connection with our debt announcement, and we had recovered certain funds and equity securities. We have been proactively dealing with relevant disputes and litigations.

Based on the information available to us as of the Latest Practicable Date and in light of the measures and initiatives taken by us in response to the Former Chairman's Misconduct, we are not aware of any facts that cause us to believe that the Former Chairman's Misconduct has or will have a material adverse effect on our business, results of operations or financial condition. PricewaterhouseCoopers issued its accountant's report without qualification to our consolidated financial information for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 and the six months ended June 30, 2011. Commerce & Finance Law Offices, our PRC legal advisor, is of the opinion that the legal proceedings related to the Former Chairman's Misconduct do not have and will not have a material adverse effect on our existing assets, financial condition and profitability and will not give rise to any material legal impediments to the Global Offering and A Share Offering.

However, we cannot predict the ultimate outcomes of pending proceedings and disputes and thus cannot assure you that any pending or future litigation, investigation, regulatory proceedings and dispute relating to the Former Chairman's Misconduct will not have any material adverse effect on our assets, results of operation, financial condition, and reputation. See "Risk Factors — Risks Relating to Our Company — The alleged unlawful activities of our former chairman, Mr. GUAN Guoliang, may impose financial, litigation, regulatory and reputational risks on us and may have a material adverse effect on our business, results of operations and financial condition."

***Investor Protection Mechanism***

While we believe that the Former Chairman's Misconduct is unlikely to have a material adverse effect on our assets, financial condition and continuing profitability, in order to protect the interest of investors, in October 2011 both the Board and the Shareholders passed the "Resolution for the Special Dividend Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd." during the 39th meeting of the fourth session of the Board and the sixth Shareholders' extraordinary general meeting of 2011, respectively. Pursuant to this resolution, the Company is to establish a special fund from a special dividend distributed to the Existing Shareholders of the Company in order to compensate the Company for actual losses arising from the Former Chairman's Misconduct within 36 months from the listing date of the Company, if such losses are other than that for which we have recognized impairments or made provisions as disclosed in this prospectus.

The details of this investor protection mechanism are as follows:

(1) Beginning on August 29, 2011, the Company has put up its 24% equity interest in Zijin Century, an asset recovered as a result of the asset recovery efforts taken by us following the discovery of the Former Chairman's Misconduct, for sale at both the Shanghai United Assets and Equity Exchange and the Beijing Financial Assets Exchange for an appraised price of RMB2.15 billion. The sale was not completed as of October 8, 2011 when the initial listing expired. We subsequently relisted it on the Shanghai United Assets and Equity Exchange and the Beijing Financial Assets Exchange on October 31, 2011 and November 1, 2011, respectively, for a listing price of RMB2.0425 billion. To the extent permitted by the regulations on the transfer of state-owned assets, we will continue to try to dispose of our equity interest in Zijin Century through assets and equity exchanges or other viable means, in order to protect the interest of our Shareholders. The Company will strive to complete such disposal before June 30, 2012.

(2) The Company, to the extent permitted by relevant laws and regulations, will distribute to all of its shareholders the gains from the disposition of its equity interest in Zijin Century, net of applicable taxes and relevant surplus reserves and provisions pursuant to relevant laws ("Distributable Amount"). If the Distributable Amount from such disposal is more than RMB1 billion, the Distributable Amount will be the amount for the special dividend distribution. If the Distributable Amount is less than RMB1 billion, the Company will make up for any short-fall from its accumulated profits so that the special dividend distribution will be RMB1 billion. If the disposal of the equity interest in Zijin Century is not completed before June 30, 2012, the Company will appropriate RMB1 billion from its accumulated profits as the amount for the special dividend distribution. If the disposal of the equity interest in Zijin Century is completed before the listing date of the Company, the special dividend distribution will be shared among all of our Existing Shareholders. If the disposal of the equity interest in Zijin Century is completed after the listing date of the Company, the special dividend distribution will be shared among all of our shareholders at the time of the declaration of the dividend. We have resolved to complete the special dividend distribution before September 30, 2012.

(3) The Existing Shareholders of the Company have further undertaken that after the completion of the above described special dividend distribution, their share of the special dividend distribution will be deposited into custodial bank accounts designated by the Company as a "Special Appropriation." In the event that there are other actual losses, beyond the impairments and provisions disclosed in this prospectus, arising from the Former Chairman's Misconduct within 36 months from the listing date of the Company, such losses will be covered with the funds deposited in such custodial bank accounts. Upon the expiration of the 36 month period, the funds remaining in such custodial bank accounts will be paid out to the Existing Shareholders. If the special dividend distribution is completed before the listing date of the Company, the amount of the Special Appropriation will not be less than RMB1 billion.

If the special dividend distribution is completed after the listing date of the Company, the amount of the Special Appropriation will not be less than RMB820 million, after taking into consideration the fact that the percentage of the Shares offered in the Global Offering and A Share Offering shall not exceed 18% of the enlarged share capital of the Company (assuming the H Share Over-Allotment Option is fully exercised) after the listing date.

Pursuant to the Administrative Provisions on the Solvency Margin of Insurance Companies, when our solvency is inadequate, the CIRC may impose regulatory restrictions on our distribution of dividends. Our solvency margin ratio is expected to increase considerably following the Global Offering and the A Share Offering. Based on actual circumstances, we also will take all necessary measures to attain a level of solvency that satisfies regulatory requirements necessary to ensure the execution of the special dividend distribution.

We believe such a mechanism will provide enhanced protection to our investors, in addition to the provisions made and the impairments recognized by us and disclosed in this prospectus.

**Employees**

As of December 31, 2008, 2009, 2010 and June 30, 2011, we had 26,002, 37,456, 44,156 and 41,777 employees, respectively, in the PRC. Our individual insurance agents are not our employees.

The following table sets forth the number of our employees by function as of June 30, 2011(1):

| | Number of employees | % of total employees |
|---|---|---|
| Management | 1,528 | 3.7% |
| Professional technical staff(2) | 1,859 | 4.4% |
| Sales and marketing | 33,538 | 80.3% |
| Others | 4,852 | 11.6% |
| **Total** | **41,777** | **100.0%** |

(1) Includes employees of New China Asset Management.

(2) Professional technical staff primarily includes our actuarial, information, underwriting, claims settlement, accounting and investment staff.

The following table sets forth the total number of our employees by age as of June 30, 2011(1):

| | Number of employees | % of total employees |
|---|---|---|
| Under 31 | 22,966 | 55.0% |
| 31 to 40 | 13,612 | 32.6% |
| 41 to 50 | 4,797 | 11.5% |
| Over 50 | 402 | 1.0% |
| **Total** | **41,777** | **100.0%** |

(1) Includes employees of New China Asset Management.

The following table sets forth the total number of our employees by education level as of June 30, 2011(1):

| | Number of employees | % of total employees |
|---|---|---|
| Master's degree or above | 974 | 2.3% |
| Bachelor's degree | 13,881 | 33.2% |
| Others | 26,922 | 64.4% |
| **Total** | **41,777** | **100.0%** |

(1) Includes employees of New China Asset Management.

We believe that our continuous growth depends on the capabilities and loyalty of our employees. We also understand the importance of human resources to the improvement of our business and results of operations. We attach great importance to optimizing our evaluation and incentive systems and enhancing the recruitment and training of our managerial personnel and thus dedicate increasing resources in this regard. In 2010, we engaged Towers Watson Consulting (Shanghai) Limited Beijing Branch, an internationally recognized consulting firm, to work with us on projects aimed at enhancing our human resources system. With Towers Watson Consulting (Shanghai) Limited Beijing Branch's assistance, we established a dual-track system for the management and professional development of our employees. We are proactively facilitating qualification management and are in the process of establishing qualification requirements for employees in various professional positions. In addition, we have been exploring an incentive mechanism that seeks to link employee compensation to work performance. We have gradually implemented a compensation culture based on position, capacity and performance. We have increased the compensation levels for our ordinary employees, and thereby enhancing our market competitiveness. We also provide our employees with benefits in accordance with applicable PRC laws and regulations such as basic pension insurance, basic health insurance, work-related injury insurance, unemployment benefits, maternity insurance and housing fund or allowances. We believe that our corporate culture, which prize proactiveness, helps us attract loyal and professional employees. Our corporate culture is also beneficial to the career development of our employees.

In 2010, to continue to improve the career development of our management personnel, we launched a comprehensive national rotation plan for our management personnel, improved the policies relating to the management of our management personnel, and established other procedures, including those regarding the selection and appointment of senior management, evaluation and incentives, and exchange of management personnel between different departments.

With respect to staff training, we have developed a universal and comprehensive training system covering different stages of a staff's career path. Guided by our vision, strategy and staff competency requirement and supported by our knowledge base, we have preliminarily put in place a focused, practical and sustainable five-tiered staff development plan that emphasizes mid- to high-level management personnel development.

During the Track Record Period, some branches of the Company did not pay the social insurance and housing funds for certain employees in a timely manner, due to: (i) certain newly hired employees' failure to timely file their social insurance participating documents; (ii) the requirement of social insurance administrations in certain regions that the participation and payment of social insurance shall only commence upon the transfer of the employees' personnel files; (iii) thresholds set by certain branches, which deferred the participation and payment of social insurance for disqualified employees; (iv) failure to timely make supplementary payments due to varied requirements among regions relating to the overdue social insurance. As a result, certain administrative penalties had been imposed on these branches by competent authorities.

In light of the above situation, we have allocated approximately RMB25 million as the expenses for the supplementary payment of overdue social insurance and housing funds, based on the number of employees in such overdue cases and the overdue amounts in their cases. The Directors confirm that the above matter will not have a material adverse effect on the Company's operation and financial condition.

In November 2008, the former management of the Company formulated and issued the "Implementation Rules of the Retirement Protection Plan for Employees of New China Life Insurance Company Ltd." (《新華人壽保險股份有限公司員工退休保障實施計劃操作細則》) (hereinafter referred to as the "Retirement Protection Plan"). Forty seven employees including certain former director, supervisors and members of senior management of the Company participated in the Retirement Protection Plan. Because, as a plan in relation to the benefit of directors, supervisors and senior management, it was not established in compliance with relevant procedures prescribed in the Company's Articles of Association, the new Board of the Company formed in 2009 reviewed the Retirement Protection Plan and resolved to not recognize it and to terminate its implementation.

Certain participants in the Retirement Protection Plan have raised objections to the Company regarding such termination. In September 2011, the Company received a notice that our former president, Mr. SUN Bing, and former chairman of our Board of Supervisors, Mr. WU Juren, had initiated separate legal proceedings in the People's Court in Chaoyang District, Beijing. Mr. SUN claimed against the Company a supplemental pension of RMB92,848 per month beginning from November 2010 till his death and requested the Company to bear all legal costs of the litigation. Mr. WU requested the Company to honor the Retirement Protection Plan to enable him to receive the pension insurance and health insurance benefits under the plan, and requested the Company to make a payment of RMB544,608 to him and bear all legal costs of the litigation. In October 2011, the People's Court in Chaoyang District, Beijing, issued rulings regarding the two aforementioned proceedings, in which it ruled that the two plaintiffs' claims involved post-retirement pension benefits and were not within the subject matter jurisdiction of the People's Court, and thus dismissed these two proceedings.

Mr. SUN Bing and Mr. WU Juren appealed to the Beijing Second Intermediate People's Court to overturn the rulings issued by the People's Court in Chaoyang District, Beijing. In November, 2011, Beijing Second Intermediate People's Court dismissed Mr. SUN Bing and Mr. WU Juren's appeal and upheld the original rulings of the People's Court in Chaoyang District.

Given the amount involved in the above disputes, we believe the above disputes are unlikely to have any material adverse effect on our financial condition or business operations.

None of our employees is subject to collective bargaining agreements governing employment with us. Except as disclosed in this prospectus (including Appendices), the directors of our Company confirm that the Company has complied with all labor-related laws and regulations in all material respects and has no outstanding labor-related costs during the Track Record Period. We believe we have good relationships with our employees.

**Properties**

***Headquarters***

We are headquartered at New China Insurance Tower, A12, Jian Guo Men Wai Avenue, Beijing, PRC.

***Owned Properties***

As of September 30, 2011, we owned 52 properties in the PRC with an aggregate gross floor area of approximately 278,731.25 square meters.

Our owned properties in the PRC are primarily used for offices, business operations of our branches and sub-branches and staff quarters. Among them, 41 properties with an aggregate gross floor area of approximately 229,561.76 square meters are commercial or office properties. 11 properties, and one auxiliary building among above-mentioned 41 office properties with an aggregate gross floor area of approximately 49,169.49 square meters are used for residential, educational or ancillary purposes.

We have obtained the relevant title certificates for a majority of the properties occupied and used by us in the PRC as follows:

- We have obtained all relevant land use right certificates and building ownership certificates for 38 properties with an aggregate gross floor area of approximately 236,361.61 square meters.

- We could not obtain the relevant land use right certificates for 4 properties with an aggregate gross floor area of approximately 11,613.54 square meters at this point due to the local administrative land use policies. According to Commerce & Finance Law Offices, our PRC legal advisor, the absent of land use right certificate of the aforementioned properties does not affect our legal right to dispose and manage those properties. We have legal right to transfer, lease and mortgage such properties granted by the building ownership certificates.

- We have not obtained the relevant land use right certificates and/or building ownership certificates for 10 properties, and five buildings and three parking lots included in three properties among the above-mentioned 38 properties with an aggregate gross floor area of approximately 30,756.10 square meters. According to our PRC legal advisor, Commerce & Finance Law Offices, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates.

The buildings and units without the relevant title certificates comprise 8 commercial or office properties with an aggregate gross floor area of approximately 22,866.81 square meters, four residential, educational and ancillary properties with an aggregate gross floor area of approximately 7,763.71 square meters, and three parking lots with a gross floor area of approximately 125.58 square meters, represented 11.03% of the total 52 properties occupied and used by us as of September 30, 2011.

We are in the process of applying for the relevant title certificates for the properties without title certificates.

We believe that our above defective owned properties, individually or collectively, are not crucial to, and will not have a material impact on our operations because (i) the aggregate gross floor area of the defective owned properties relating to our operation represents only a small portion (approximately 8.20%) of the gross floor area of our total owned properties; (ii) the occupation and use of such properties by us or our branches for our operation have not been affected due to the lack of relevant title certificates of such properties; (iii) the Company believes that, should any third parties succeed in obtaining the building ownership of such properties or the land use right of the land where such properties are located through legal claims and require the Company to relocate, the Company is able to immediately relocate to business premises with complete title certificates or legal permits for lease to continue its operation and business, which will not have material effect on the Company's operation; and (iv) the Directors confirm that the defects of the relevant title certificates will not have any material adverse effect on the operation of the Company.

***Leased Properties***

As of September 30, 2011, we leased 1,677 properties with an aggregate gross floor area of 1,141,387.97 square meters in the PRC. Our leased properties are used for office purposes.

- For 1,292 properties (with an aggregate gross floor area of 877,086.25 square meters), the relevant lessors have provided us with the relevant title certificates and the letters confirming their rights to lease such properties.

- For 345 properties (with an aggregate gross floor area of 231,336.55 square meters), the relevant lessors have not provide us with any relevant title certificates or any letters confirming their rights to lease such properties. Lessors of 337 properties thereof have undertaken to indemnify us for losses arising from the defective legal titles of the leased buildings.
- The lease contracts for 40 properties (with an aggregate gross floor area of 32,965.17 square meters) have expired.

We believe that if our leases are terminated due to the aforesaid defects which require us to relocate relevant branch entities, alternative business premises that are legally permitted for leases can be found in relevant regions for our relevant branch entities. We believe such relocation will not have any material adverse effect on our results of operations and financial condition, and will not have any substantial impact on this Global Offering. We are in the process of arranging for the renewal or signing of expired lease contracts.

We believe that our above defective leased properties, individually or collectively, are not crucial to, and will not have a material impact on our operations because (i) the relevant lessors of 337 properties out of the 345 defective leased properties have undertaken, in the leases or in separate undertaking letters, to indemnify the Company for losses arising from the defective legal titles of the leased properties; (ii) the Company believes that if relevant leases are terminated due to the aforesaid defects and it is required to relocate the relevant branches, these properties can be substituted by other comparable alternative business premises that are legally permitted for lease in the relevant regions, without any material adverse effect on our operations or financial condition; and (iii) the Directors have confirmed that the expiration of the defective lease contracts would not have material adverse effect on the operation of the Company.

***Leasehold Land***

According to the wasteland and woodland tenancy contracts we entered into with the village committees of Gaomiaotun Village, Jiangjiatai Village and Chenjiaying Village, respectively, all of which are located in Dayushu Town, Yanqing County, we leased parcels of land with an aggregate area of approximately 900,004.5 square meters from the above mentioned villages as a collective party. In the opinion of Commerce & Finance Law Offices, our PRC legal advisor, our leases and the use of the aforesaid land are not in violation of the requirements of relevant laws and regulations and the tenancy contracts are legally valid as the aforesaid Wasteland and Woodland Lease Agreement were approved by two-thirds of villagers in the villagers' meetings of the collective party of these villages and we were granted a Collectivity Land Use Right Certificate by the People's Government of Yanqing County and the aforesaid land is not for agricultural use.

According to the Land Leasing Agreement entered into between New China Xiadu Technology Training (Beijing) Co., Ltd. (hereinafter referred to as New China Xiadu), our wholly owned subsidiary, and Changcheng Higher Education Development Center (長城高等教育發展中心),or CHEDC, an aggregate area of approximately 165,026.16 square meters has been leased from CHEDC by New China Xiadu.

In the opinion of Commence & Finance Law Offices, our PRC legal advisor, New China Xiadu's leases from CHEDC and the use of the aforesaid land are not in violation of the requirements of relevant laws and regulations.

***Property Valuation***

Jones Lang Lasalle Sallmanns Limited, an independent valuer appointed by us for the purpose of the Listing, has valued properties owned by us as of September 30, 2011 at approximately RMB5,112 million. The text of the letter and the valuation certificates issued by Jones Lang Lasalle Sallmanns Limited are set out in the valuation report set forth in Appendix IV to this prospectus.

**Intellectual Property**

As of the Latest Practicable Date, we were the registered owner of 114 domain names, including "www.newchinalife.com" and "www.95567.net." Details of our intellectual property rights are set out in the section headed "B. Further Information about Our Business — 2. Intellectual property rights" in Appendix IX to this prospectus. As of the Latest Practicable Date, we registered ten trademarks in the PRC.

We are in the process of applying for the registration of the following five trademarks in Hong Kong:

(新华 新华 新华, NCI nci NCI NCI, NCL ncl, , ).

For detailed information, see Appendix IX — "Statutory and General Information".

As of the Latest Practicable Date, we were not aware of any material incidence of intellectual property rights infringement litigation or claims initiated by others or by us for the three years ended December 31, 2008, 2009 and 2010 and up to the Latest Practicable Date.

**Connected Transactions**

Pursuant to Chapter 14A of the Hong Kong Listing Rules, upon the listing of the H Shares on the Hong Kong Stock Exchange, the transactions we have entered into with our connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions within the meaning of the Hong Kong Listing Rules. Continuing with such transactions following the Listing Date will constitute continuing connected transactions under the Hong Kong Listing Rules.

***Exempt Continuing Connected Transactions***

Set forth below are details of various connected transactions between us and certain connected persons of our Company. Based on our estimation of the relevant percentage ratios (as defined in the Hong Kong Listing Rules), such transactions are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements prescribed under Chapter 14A of the Hong Kong Listing Rules. Details of such transactions are set forth below:

*Sales of Group Insurance*

We have sold group insurance products to certain of our connected persons who are not individuals, including some of our substantial shareholders and their respective associates, on normal commercial terms and in the ordinary course of our business. These insurance products include, among others, group life insurance products, and group accident insurance products, all of which are available to independent third parties. Our connected persons do not receive any preferential treatment for purchasing these insurance products. The premiums paid by these connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, or are fixed with reference to rates approved by the CIRC.

The sale of group insurance products by us to our connected persons who are not individuals falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. The sale of group insurance products by us to our connected persons is thus exempt from the reporting, announcement, annual review and independent shareholders' approval requirements contained in Rules 14A.37 to 14A.41 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

*Sales of Individual Life Insurance*

We have sold individual life insurance products to certain of our connected persons who are individuals, including certain of our Directors, Supervisors and president, or their respective associates, on normal commercial terms and in the ordinary course of our business. These insurance products include, among others, individual life insurance products, and individual accident and health insurance products, all of which are available to independent third parties. Our connected persons purchase these insurance products for private use and do not receive any preferential treatment for purchasing these insurance products. The premiums paid by these individual connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, or are fixed with reference to rates approved by the CIRC.

The sale of individual life insurance products by us to our connected persons who are individuals constitutes acquisitions by such connected persons of consumer goods for their own private use, on normal commercial terms and in the ordinary course of our business. As the value of each of these transactions is less than 1% of the total revenue of the Company, these transactions fall within the exemption as stipulated under Rule 14A.33(1) of the Hong Kong Listing Rules. As a result, it is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements contained in Rules 14A.37 to 14A.41 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

*Consultancy Services by Zurich Technical and Consulting Services (Beijing) Co., Ltd (蘇黎世諮詢服務(北京)有限公司)*

As of the Latest Practicable Date, Zurich Insurance Company Ltd directly held 15% of the Shares of our Company. According to the Hong Kong Listing Rules, Zurich Insurance Company Ltd is a substantial shareholder of our Company. Zurich Technical and Consulting Services (Beijing) Co., Ltd (蘇黎世諮詢服務(北京)有限公司) ("Zurich Consulting") is an indirect wholly-owned subsidiary of Zurich Insurance Company Ltd. Pursuant to Chapter 14A of the Hong Kong Listing Rules, Zurich Consulting is an associate of Zurich Insurance Company Ltd and is therefore a connected person of the Company.

The Company entered into transactions with Zurich Consulting on normal commercial terms and in the ordinary course of business pursuant to which Zurich Consulting provides business and technical consultancy services to the Company. The service fees payable by the Company under the relevant transactions are comparable to the amount payable for the transactions between us and independent third party suppliers. The total amount paid by us to Zurich Consulting under the relevant transactions in the financial years of 2008, 2009, 2010 and the first six months of 2011 was approximately RMB4 million, RMB2 million, RMB3 million and RMB0, respectively.

As of the Latest Practicable Date, all the agreements between our Company and Zurich Consulting were terminated and we expect that no new agreement in relation to consultancy services will be entered into with Zurich Consulting in the near future. In 2011, Zurich Consulting will not charge us any service fee for the services provided, and we will only reimburse Zurich Consulting the out-of-pocket expenses incurred by it in provision of the services. The total annual amount payable to Zurich Consulting falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. Such transactions are thus exempt from the reporting, announcement, annual review and independent shareholders' approval requirements contained in Rules 14A.37 to 14A.41 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

*Purchase of Liability Insurance Products from Zurich Insurance Company Ltd*

As of the Latest Practicable Date, Zurich Insurance Company Ltd directly held 15% of the Shares of our Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, Zurich Insurance Company Ltd is a connected person of the Company.

The Company purchases certain liability insurance products for its Directors, Supervisors and senior management members from Zurich Insurance Company Ltd on normal commercial terms. The premiums paid by the Company for the relevant liability insurance products are comparable to those paid to independent third parties. The total amount paid by us to Zurich Insurance Company Ltd in 2010 was US$30,000 and the total amount paid by us to Zurich Insurance Company Ltd in 2011 is expected to be US$238,040.

The total annual amount payable to Zurich Insurance Company Ltd falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. The purchase of liability insurance products by us from Zurich Insurance Company Ltd is thus exempt from the reporting, announcement, annual review and independent shareholders' approval requirements contained in Rules 14A.37 to 14A.41 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

Our Company will comply with the reporting, announcement, annual review and/or independent shareholders' approval requirements in accordance with the Hong Kong Listing Rules if any of the transactions set forth above are subsequently subject to such requirements under Chapter 14A of the Hong Kong Listing Rules.