You should read the discussion and analysis of our results of operations and financial condition set forth below in conjunction with "Appendix I — Accountant's Report," which has been prepared in accordance with IFRS. The financial data relating to us set forth below have been prepared in accordance with IFRS except for the discussion of solvency margin, which is calculated in accordance with applicable CIRC guidelines. This discussion is not part of the Accountant's Report.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors."

Overview

General

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.

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, in terms of gross premium income (after adjustments made in accordance with Interpretation No. 2). We 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 earn our revenues primarily from GWP from sales of individual life and group insurance policies. Our main business is individual life insurance business, in which we principally sell long-term participating individual life insurance policies. We also earn GWP on other types of insurance policies such as traditional life insurance. In our group insurance business, we earn GWP from the sales of group life, health and accident insurance policies. Policy fees generated from investment contracts account for a small portion of our revenues. We also earn investment income from our investment assets.

Our expenses primarily include (i) insurance benefits paid to our life insurance policyholders, as well as health and accident claims; (ii) increases in insurance contract liabilities; (iii) investment contract benefits; (iv) commissions and brokerage expenses; and (v) administrative and other expenses.

Internal Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition are influenced by a number of internal factors, including:

- our product mix;
- our distribution channels;
- performance of our investment portfolio;

- our decisions on policyholder dividends; and
- our solvency margin.

Our Product Mix

Our business is centered around participating life insurance products, which accounted for over 90% of our total GWP in each of 2008, 2009, 2010 and the first six months of 2011.

Our participating products are mainly reversionary bonus participating products in which dividends are added to sum insured rather than paid in cash to the policyholders. Consequently, a policyholder may enjoy an increasing level of protection throughout the duration of the policy term, together with higher maturity benefits. 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 can decrease our costs relating to managing dividend payouts and allows us to retain more cash within our insurance funds. However, such method, over time, increases the capital needed to support our business. For additional information, see "Business — Individual Life Insurance — Products — Participating Life Insurance."

We have been increasingly focused on health and accident insurance products, with GWP from such products rising in recent years totaling RMB3,224 million in 2008, RMB4,191 million in 2009, RMB5,022 million in 2010 and RMB3,003 million for the first six months of 2011. See "Business — Summary of Our Business." We expect significant growth in the health and accident insurance businesses in the PRC, primarily due to the changing demographics and the growing affluence of PRC households.

We have also been increasingly focused on selling our regular premium products which contributed to our increased GWP over the past three years with first year regular premiums and renewal premiums totaling RMB21,701 million in 2008, RMB38,038 million in 2009, RMB57,603 million in 2010 and RMB36,429 million for the first six months of 2011. See "Business — Summary of Our Business."

Our Distribution Channels

The products in our individual life insurance business are mainly distributed through our individual insurance agent, bancassurance and wealth management channels. See "Business — Individual Life Insurance — Distribution Channels."

Our individual insurance agent channel represented approximately one third of our total GWP in 2008, 2009, 2010 and the first six months of 2011. The GWP derived from our individual insurance agent channel increased by 98.4% to RMB28,688 million in 2010 from RMB14,457 million in 2008. The productivity of our insurance agents also increased significantly, with the average monthly first year premium per agent increasing to RMB4,155 in the six months ended June 30, 2011 from RMB2,808 in 2008.

Our bancassurance channel represented more than 60% of our GWP in 2008, 2009, 2010 and the first six months of 2011. The GWP derived from our bancassurance channel increased by 96.5% to RMB61,690 million in 2010 from RMB31,388 million in 2008. While the proportion of GWP derived through our bancassurance channel to our total GWP remained relatively stable from 2008 through 2010, in the first six months of 2011 such proportion decreased. We believe this decrease was primarily due to the impact of recent changes in the regulatory environment with respect to the bancassurance channel. See "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Bancassurance" and "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."

We established our wealth management department in April 2010 and our wealth management channel represented 0.2% and 0.7% of our total GWP in 2010 and the first six months of 2011, respectively.

Our group insurance business represented 1.3%, 1.3%, 1.2% and 1.5% of our total GWP in 2008, 2009, 2010 and the first six months of 2011, respectively. Group insurance products are sold to our institutional customers primarily by our group sales representatives, and through cross-selling and intermediaries.

Performance of Our Investment Portfolio

Our asset management business is an integral part of our overall operating activities. The results of our operations, financial condition and future prospects are affected by the performance of our investment portfolio.

The total investment yield of our investment assets was 1.1%, 4.6%, 4.3% and 2.2% in 2008, 2009, 2010 and the first six months of 2011, respectively. The total investment yield for the first six months of 2011 was not annualized. Our total investment yield in 2008 was adversely affected by a loss of RMB3,730 million in our equity securities, primarily attributable to the sharp decline in equity prices during the financial crisis that began in late 2008. Our total investment yield improved significantly in 2009 and 2010, reflecting improved market conditions.

In addition, the composition and performance of our investment portfolio may be affected by the PRC's regulatory measures. For example, our ability to invest in certain asset categories has been restricted due to our failure to meet the relevant solvency margin ratio requirements imposed by the CIRC, (see "— Solvency Margin" below), to some extent affecting our overall investment return. Primarily as a result of the RMB14.0 billion capital injection in March 2011, our solvency margin ratio improved to 106.1% as of June 30, 2011. However, as of September 30, 2011, our solvency margin ratio declined to 86.6%, 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. Our solvency margin ratio is expected to improve upon the completion of our Global Offering and A Share Offering. As our solvency position improves, we may be permitted to broaden our investment channels, which may contribute to the improvement of our investment results.

Our Decisions on Policyholder Dividends

As our participating life insurance products represent our core business, our decisions on policyholder dividends for such products may have a material effect on our results of operations and financial condition. The CIRC requires that the benefit allocated to policyholders of participating insurance products sold by us in each fiscal year shall not be lower than 70% of the annual distributable surplus generated by participating insurance products.

The dividends payout to the policyholders of our participating life insurance products are important to the sales of such products. In determining our dividend distribution, we must also consider factors such as our financial condition and our value growth in order to ensure that our dividend policy matches our results of operations and financial condition and supports the long-term value growth of our participating life insurance business. The level of dividends payout is also affected by the reasonable expectations of our policyholders and the market competition.

Solvency Margin

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 investment in unsecured corporate bonds, infrastructure debt investment plans, unlisted equity securities, real estate and overseas investments. There are also certain constraints placed on an insurance company's business if its solvency margin ratio is not less than 100% and not higher than 150%. For additional information, see "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Solvency Margin" and "Risk Factors — We may not, prior to receiving the proceeds from our Global Offering and A Share Offering, meet the minimum solvency margin ratio requirement. If we fail to satisfy the regulatory requirements regarding solvency margin ratio, the regulatory authorities may impose limitations on our insurance business operations and investment activities, which may have a material adverse effect on our business, results of operations and financial condition." Such regulatory restrictions on our business may affect our results of operations and financial condition.

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. We were not penalized by the regulatory authorities for our deficiencies in solvency margin ratio during the Track Record Period because we had complied with the relevant business and operational limitations. Our solvency margin ratio declined between June 30, 2011 and September 30, 2011, 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.

External Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition are also significantly affected by a number of external factors, many of which are beyond our control, including:

- economic and demographic conditions and socio-economic policies in the PRC;
- fluctuations in market interest rates;
- investment environment; and
- regulatory environment.

Economic and Demographic Conditions and Socio-Economic Policies in the PRC

As we conduct our business in and generate substantially all of our revenues from the PRC, our results of operations, financial condition and future prospects are significantly affected by the economic and demographic condition and socio-economic policies in the PRC.

Economic Conditions

In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. Rapid economic growth has resulted in substantial wealth creation and accumulation in the PRC. Compared to many other countries, the PRC was less affected by the global financial crisis which began in late 2008. While economic growth slowed as a result of the crisis, the PRC has shown much quicker recovery, with a real GDP growth of 9.0% from 2008 to 2009 and 10.4% from 2009 to 2010, compared to 2.6% and 7.0% in the whole of Asia, -2.6% and

4.0% in Japan, -4.4% and 2.1% in the Europe and -2.6% and 2.8% in the United States over the same periods, according to the Sigma Report published by Swiss Re. GDP per capita in the PRC has been growing at a CAGR of 14.8% from RMB8,592 in 2001 to RMB29,669 in 2010. Nominal GDP in the PRC increased at a CAGR of 15.4% from 2001 to 2010 (the CAGR adjusted for inflation was 10.7%), according to the IMF.

The rapid growth of the PRC economy has led to a significant increase in the per capita annual disposable income of urban households and the per capita annual income of rural households. The rising household income in the PRC in recent years is likely to foster:

- growing demand for life insurance products and services;
- greater demand for the protection and investment features that life insurance products can provide;
- greater financial capacity for consumers to pay for insurance products and services and wealth management solutions; and
- increasing demand for investment diversification.

Due to the high household savings rate in the PRC which increased from 37.6% in 2001 to 54.0% in 2010 according to the IMF, we believe that there are significant opportunities for the insurance industry to offer customers a broad range of financial products, such as policies with participating or investment-like features, as alternatives to traditional investments.

Changing Demographics and Welfare Reform

The PRC has undergone significant demographic changes, including an increase in life expectancy, a decrease in birth rate, an aging population and a growth in urban population and income, all of which we expect to create substantial growth opportunities for life insurance, health insurance and pension products. As a result of these demographic trends, we believe the Chinese public has become increasingly aware of the need for and the attractiveness of insurance products, further fostering the demand for our products. This trend is evidenced by the significant GWP growth of the Chinese life insurance industry over the past ten years, with gross premium income rising from RMB142.4 billion in 2001 to RMB1,050.1 billion in 2010, according to data published by the CIRC.

As the growth of the population of people over 60 in the PRC outpaces that of the working age population, the pension system in the PRC is likely to face increasing demands that it may not be able to meet. The PRC is in the midst of social welfare reform, which is gradually eliminating or reducing benefits that the PRC government or state-owned enterprises traditionally provided to their employees, such as medical benefits and retirement benefits, and has shifted some of the responsibilities for providing social welfare benefits to private enterprises and individuals. Moreover, the PRC government is in the process of establishing an improved pension system that comprises (i) basic social pension insurance, (ii) supplementary corporate pension insurance or corporate annuities, and (iii) commercial pension insurance. In this system, insurance companies are expected to act as private providers of supplemental social welfare protection by offering individual and group insurance products.

We believe that the significant demographic changes and challenges facing the pension system may result in increased demand for insurance or other investment products offered by insurance companies. See "The PRC Insurance Industry — Factors Affecting Industry Development."

Fluctuations in Market Interest Rates

The profitability of many of our products and our investment returns are highly sensitive to interest rate fluctuations, and changes in interest rates could affect our financial condition and results of operations.

In periods of rising interest rates as is currently the case (one-year term deposit rate in the PRC has increased to 3.50% as of Latest Practicable Date from 2.25% as of October 2010), we would expect increased investment yield from newly added fixed income assets to our investment portfolio, as well as greater interest income from the floating rate securities in our investment portfolio.

Rising interest rates could also lead to higher levels of surrenders and partial withdrawals of existing life insurance policies as policyholders seek to buy products with perceived higher returns. These surrenders and partial withdrawals may result in cash payments to policyholders requiring the sale of our debt securities at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realized investment losses. These cash payments could result in a decrease in invested assets and a decrease in net income if we are unable to replace, in a timely manner, our investment assets with higher yielding assets. Rising rates also reduce fair value of and generate unrealized losses for certain of our fixed income securities, which could adversely affect our shareholders' equity.

Conversely, although a decline in interest rates could result in fair value increases of our existing fixed income securities, it will also reduce investment returns of our newly added assets. During periods of declining interest rates, our average investment yield may decline as returns on assets for new investments are lower. In addition, our insurance contract liabilities tend to have a longer duration than our investment assets, which may result in a decrease of the re-investment returns of our maturing investments in a declining interest rate environment.

Holders of our participating, universal life and unit-linked insurance policies are credited with a portion of the investment returns earned by the invested assets derived from these types of life insurance policies. Since a substantial portion of these invested assets consist of fixed income securities, their returns are affected to a significant degree by fluctuations in market interest rates in the PRC.

For further information, see "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in interest rates may have a material adverse effect on our business, results of operations and profitability."

Investment Environment

Insurance companies in the PRC have generally limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the lack of liquidity and depth in the PRC capital markets. The PRC Insurance Law, as amended in 2009, and CIRC regulations limit the investment of insurance funds by PRC insurance companies. In recent years, although the PRC regulatory authorities, including the CIRC, have significantly expanded the asset categories in which PRC insurance companies are permitted to invest, such asset categories remain limited, as compared to those available to many international insurance companies. Even with the broadened investment types, our ability to diversify our investment portfolio is limited by restrictions on the amount and percentage of the insurance funds that we can invest in some of these asset categories. See "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Use of Insurance Funds." In addition, our ability to invest in certain asset categories, including unsecured corporate bonds, infrastructure debt investment plans, unlisted equity securities, real estate and overseas investments, has been restricted due to our failure to meet the minimum solvency margin ratio requirements for such investments. See "— Solvency Margin" above.

Due to our limited ability to diversify our investments, we are particularly exposed to fluctuations in the PRC fixed income and equity markets, which could result in investment impairments materially and adversely affecting our results of operations. The PRC securities markets remain at an early stage of development with evolving regulatory, accounting and disclosure requirements. The development of the PRC securities markets may be significantly affected by changes in laws, rules, regulations and government policies in the PRC. Furthermore, any potential market and economic downturns or other uncertainties in the PRC, its neighboring countries or regions or the rest of the world may exacerbate the risks relating to the PRC securities markets. These and other factors may from time to time result in unexpected losses, lack of liquidity, substantial fluctuations in the prices and trading volumes of listed securities compared to more mature securities markets in the world, such as those in the United States and Europe.

Regulatory Environment

Our business operations, which are conducted almost entirely in the PRC, are highly regulated. See "Supervision and Regulation." China's insurance regulatory regime is undergoing significant changes, which may have a significant impact on our revenues, expenses and profitability. Such regulations include:

- restrictions on our investment assets as discussed above; and
- direct or indirect regulation by the CIRC of our products pricing. Under applicable CIRC regulations, we must submit to the CIRC for its review and approval of:
  - products relating to public interest, as prescribed by the CIRC;
  - compulsory insurance products required by law; and
  - newly developed life insurance products as prescribed by the CIRC.

Recent regulatory changes have had, and are expected to continue to have, a significant impact on the way in which our insurance products can be sold through bancassurance channel. See "— Internal Factors Affecting Our Results of Operations and Financial Condition — Our Distribution Channels."

We may incur significant costs and expenses to comply with, and our prospects may be adversely affected by, applicable laws, rules and regulations, which may reduce our profitability as well as affect our future growth.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial information requires selecting accounting policies and making estimates and judgments that affect reported items in the consolidated statements of comprehensive income, consolidated statements of financial position, other primary statements and notes to the consolidated financial information. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of estimates and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our financial condition, results of operations and cash flows. For more information regarding our significant accounting policies, see Note 2 of Section II to the Accountant's Report set forth in Appendix I to this prospectus.

Certain accounting estimates are particularly sensitive because of their significance to the financial information and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. For more information regarding the summary of critical accounting estimates and judgments, see Note 3 of Section II to the Accountant's Report set forth in Appendix I to this prospectus.

Contract Classification

We issue contracts that transfer insurance risk and/or financial risk. The contracts issued by us are classified as insurance contracts and investment contacts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. Some insurance and investment contracts contain a discretionary participating feature. This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to us.

Liabilities for Long-Term Insurance Contracts

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

The liabilities for long-term insurance contracts consist of a reasonable estimate of liability, a risk margin and a residual margin. Such liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rates and expenses assumption.

The reasonable estimate of liability for long-term insurance contracts is the present value of expected future net cash outflow, which is the present value of the reasonable estimates of future cash outflows less future cash inflows. The expected future cash inflows include cash inflows of future premiums arising from the undertaking of insurance obligations with consideration of decrement mostly from deaths and surrenders. The expected future cash outflows are cash outflows incurred to fulfill contractual obligations, consisting of the following: (i) the guaranteed benefits based on contractual terms, including payments for death, disabilities, diseases, survivals, maturities and surrenders; (ii) additional non-guaranteed benefits, such as policyholder dividends; and (iii) reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance and claim settlement expenses. Various assumptions for the estimates are reviewed at the end of each reporting period and any changes are recognized in the net profit.

Margins have been taken into consideration while computing the liabilities of long-term insurance contracts, measured separately and recognized in the net profit in each period over the life of the contracts. 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 contracts, we do not recognize Day 1 gain in income statement, but included in the insurance contract liabilities as a residual margin, whereas on the other hand, Day 1 loss is recognized as incurred. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

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

Liability Adequacy Test

We assess the adequacy of insurance contract liabilities by comparing the current estimate of future cash flows against available information at the end of each reporting period. If that assessment shows that the carrying amount of our insurance contract liabilities (less related intangible assets, if applicable) is inadequate in light of the estimated future cash flows, the insurance contract liabilities are adjusted accordingly, and any change of the insurance contract liabilities is recognized in the net profit.

Classification, Fair Value and Impairment of Financial Assets

Classification

We classify our financial assets into the following categories: held-to-maturity securities, securities at fair value through income, available-for-sale securities and loans and receivables. We determine the classification of our financial assets at initial recognition based upon the purpose for which the financial assets are acquired. Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market, other than those that we intend to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income.

Fair Value

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

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

Impairment

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

In evaluating whether a decline in value of financial assets is an impairment for financial assets, we consider several factors including, but not limited to: (i) significant financial difficulty of the issuer or debtor; (ii) breach of contract, such as a default or delinquency in payments; (iii) the probability that the issuer or debtor will enter into bankruptcy or other financial reorganization; and (iv) the disappearance of an active market for the relevant financial asset because of financial difficulties of the issuer or debtor. In evaluating whether a decline in fair value of equity securities is an impairment, we will also consider the extent or duration of the decline.

When a decline in the value of financial assets is considered impairment, the carrying value of held-to-maturity debt securities or loans and receivables will be decreased to their present value of estimated future cash flows discounted at the securities effective interest rate; carrying value of available-for-sale debt and equity securities will be reduced to their fair values, and value change during impairment period will be recorded as the impairment in the income statement. The impairment loss is reversed through the net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized through the net profit. The impairment losses recognized in net profit on equity securities are not reversed through net profit.

Revenue Recognition

For long-term insurance contracts, premiums are recognized as revenue when due from policyholders.

Premiums from the sale of short-term health and accident insurance products are recorded on the date of being written and are accreted to earnings on a pro-rata basis over the term of the related policy coverage.

Universal life insurance contracts and unit-linked insurance contracts are unbundled into the insurance components and the non-insurance components. The insurance components are accounted for as insurance contracts, and the non-insurance components are accounted for as investment contracts, which are stated in the investment contracts liabilities.

Revenue from investment contracts is recognized as policy fee income, which consists of various charges, such as handling fees and management fees, during the period.

Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive dividend payment is established.

Commission and Brokerage Expenses

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

Estimates Relating to Former Chairman's Misconduct

In accordance with the relevant accounting standards, we have set aside reserves in relation to the contingent liabilities arising from Former Chairman's Misconduct. For additional information, see Note 3(4) of Section II to the Accountant's Report set forth in Appendix I to this prospectus.

Change of Significant Accounting Estimates

Insurance contracts liabilities are calculated using various actuarial assumptions, including assumptions on discount rate, mortality rate, morbidity rate, lapse rate, and expenses. These assumptions are determined by us on basis of information available as of the relevant dates in the Company's statements of financial position. We updated these assumptions on each of December 31, 2008, 2009, 2010, and June 30, 2011. For life insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, the discount rate assumption is updated based on the expected future investment yields rates of the corresponding investment portfolios; for life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the discount rate assumption is updated according to a market interest rate commensurate with the terms and risks associated with the future net cash outflows arising from contractual obligations. Other actuarial assumptions are primarily updated in accordance with the results of analyses based on our practical experience. Please refer to "Financial Information — Critical Accounting Policies and Estimates — Liabilities for Long-Term Insurance Contracts" in this prospectus for details regarding these assumptions.

The effects of the change in these assumptions are recorded in statement of comprehensive income of each year. The detailed effects of the change in these assumptions over our pre-tax profit of the reporting period are as below:

	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Effects of the changes in assumptions over pre-tax profit	(170)	597	(785)	(81)

PRINCIPAL COMPONENTS OF STATEMENT OF COMPREHENSIVE INCOME

Gross Written Premiums and Policy Fees

Gross written premiums and policy fees primarily include premiums written by us on long-term life insurance contracts and short-term health and accident insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. They also include policy fees that we earn from our investment contracts.

Premiums Ceded Out

Premiums ceded out represent the portion of gross written premiums ceded to reinsurers, who, pursuant to the reinsurance contract, share part of the insured risk that we have assumed under our insurance contracts.

Net Change in Unearned Premium Liabilities

Net change in unearned premium liabilities represents the change in unearned premium liabilities net of the portion of such change in the liabilities recoverable from our reinsurers through reinsurance contracts.

Net Premiums Earned and Policy Fees

Net premiums earned and policy fees represent net written premiums and policy fees (gross written premiums and policy fees less (i) premiums ceded out and (ii) net change in unearned premium liabilities).

Investment Income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt securities, financial assets purchased under agreements to resell, dividend income from equity securities, net fair value gains or losses on securities at fair value through income and the realized gains or losses on securities at fair value through income and available-for-sale securities less impairment loss or plus reversed impairment loss.

Other Income

Other income primarily includes government grants, rental income and revenues from other operating activities.

Total Revenues

Total revenues represent the sum of (i) net premiums earned and policy fees, (ii) investment income and (iii) other income.

Insurance Benefits and Claims

Insurance benefits and claims represent (i) claims and net change in outstanding claims liabilities, (ii) life insurance death and other benefits and (iii) increases in long-term insurance contract liabilities.

Claims and Net Change in Outstanding Claims Liabilities

Claims and net change in outstanding claims liabilities represent the change in claims and outstanding claims liabilities incurred on short-term health and accident insurance contracts, net of such changes in the liabilities that are recoverable from reinsurers through pre-agreed reinsurance arrangements. Changes in outstanding claims liabilities include changes in incurred and reported outstanding claims liabilities, incurred but not reported outstanding claims liabilities and liabilities for claim expenses.

Life Insurance Death and Other Benefits

Life insurance death and other benefits represent death and other benefits, paid on long-term life insurance policies issued by us, net of partial outstanding claims liabilities that are recoverable from reinsurers through agreed reinsurance arrangements. Other benefits include maturities, annuity payments and surrenders.

Increase in Long-Term Insurance Contract Liabilities

Increase in long-term insurance contract liabilities represents an increase in liabilities with respect to long-term insurance contracts issued by us, net of the portion of such increase in the liabilities that is assumed by our reinsurers through reinsurance contracts.

Investment Contract Benefits

Investment contract benefits primarily represent interest for which we are liable and that are credited to account balances of investment contracts issued by us, and change of fair value of investments for unit-linked products.

Commission and Brokerage Expenses

Commission and brokerage expenses mainly include commissions paid pursuant to our bancassurance cooperation agreements and commissions paid to our individual life insurance agents and wealth management consultants.

Administrative Expenses

Administrative expenses primarily represent employee benefit expenses (salaries and welfare expenses, social security cost, retirement benefits, housing fund and other employee benefit expenses), travel and conference fees, office expenses, operating lease expenses, marketing and promotion expenses, depreciation and amortization expenses and other operating and administrative expenses.

Other Expenses

Other expenses primarily represent provisions, business taxes and surcharges.

Finance Cost

Finance cost includes interest expense incurred from the subordinated debts issued by us and financial assets sold under agreements to repurchase.

CURRENT TRADING

You should read the selected consolidated financial information set forth below in conjunction with our consolidated financial information included in the Accountant's Report set forth in "Appendix I — Accountant's Report" to this prospectus, which have been prepared in accordance with IFRS. The selected consolidated statements of comprehensive income information for the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011 and the selected consolidated statements of financial position information as of December 31, 2008, 2009 and 2010 and June 30, 2011 set forth below have been extracted from our audited consolidated financial information and have been included in "Appendix I — Accountant's Report" to this prospectus. The following consolidated statement of comprehensive income information for the six months ended June 30, 2010 have been extracted from our unaudited consolidated financial information and have been included in "Appendix I — Accountant's Report" to this prospectus.

Consolidated Statements of Comprehensive Income

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010 (unaudited)	2011
	(RMB in millions)				
REVENUES					
Gross written premiums and policy fees	47,266	65,422	91,956	53,675	50,843
Less: premiums ceded out	46	30	32	18	238
Net written premiums and policy fees	47,312	65,452	91,988	53,693	51,081
Net change in unearned premium liabilities	(53)	(72)	(128)	(165)	(193)
Net premiums earned and policy fees	**47,259**	**65,380**	**91,860**	**53,528**	**50,888**
Investment income	1,589	8,362	10,521	4,114	6,813
Other income	131	164	328	118	101
Total revenues	**48,979**	**73,906**	**102,709**	**57,760**	**57,802**
BENEFITS, CLAIMS AND EXPENSES					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(339)	(463)	(702)	(278)	(368)
Life insurance death and other benefits	(12,500)	(10,300)	(12,548)	(5,630)	(9,528)
Increase in long-term insurance contract liabilities	(24,701)	(45,932)	(70,361)	(42,982)	(37,620)
Investment contract benefits	(770)	(1,029)	(772)	(351)	(346)
Commission and brokerage expenses	(4,194)	(5,623)	(7,252)	(3,884)	(3,689)
Administrative expenses	(5,616)	(7,206)	(8,410)	(3,925)	(3,998)
Other expenses	(301)	(509)	(147)	194	108
Total benefits, claims and expenses	**(48,421)**	**(71,062)**	**(100,192)**	**(56,856)**	**(55,441)**
Share of results of associates	—	—	1	—	—
Finance cost	(376)	(193)	(263)	(62)	(311)
Net profit before income tax	**182**	**2,651**	**2,255**	**842**	**2,050**
Income tax	469	10	(5)	(265)	(275)
Net profit for the year/period	**651**	**2,661**	**2,250**	**577**	**1,775**
Net profit for the year/period attributable to:					
Shareholders of the Company	649	2,660	2,249	577	1,775
Non-controlling interests	2	1	1	—	—
Earnings per share (RMB)					
Basic and diluted	0.54	2.22	1.87	0.48	0.93
Other comprehensive income					
Available-for-sale financial assets					
Gains / (losses) arising from fair value changes	(9,359)	865	1,332	(3,192)	(4,705)
Gains / (losses) transferred to profit or loss	281	56	(1,086)	(694)	(851)
Changes in liabilities for insurance and investment contracts arising from net unrealized gains / (losses)	5,065	(657)	(204)	2,352	3,420
Share of other comprehensive income of associate	—	—	48	48	—
Income tax relating to components of other comprehensive income	1,002	(66)	(10)	255	265
Total other comprehensive income	**(3,011)**	**198**	**80**	**(1,231)**	**(1,871)**
Total comprehensive income	**(2,360)**	**2,859**	**2,330**	**(654)**	**(96)**
Total comprehensive income for the year/period attributable to:					
Shareholders of the Company	(2,362)	2,858	2,329	(654)	(96)
Non-controlling interests	2	1	1	—	—

Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB in millions)			
ASSETS				
Property, plant and equipment	2,408	2,896	2,922	2,810
Investment properties	634	448	513	578
Intangible assets	70	52	57	51
Investments in associates	—	10	707	707
Financial assets				
Debt securities	120,511	138,169	164,726	174,879
Held-to-maturity	80,575	107,661	122,016	127,956
Available-for-sale	34,463	30,507	38,119	42,085
At fair value through income	5,473	1	4,591	4,828
Loans and receivables	—	—	—	10
Equity securities	4,630	23,366	38,874	30,843
Available-for-sale	2,817	19,199	36,570	28,581
At fair value through income	1,813	4,167	2,304	2,262
Term deposits	21,738	18,891	55,210	101,002
Statutory deposits	242	242	242	522
Policy loans	186	346	820	1,393
Financial assets purchased under agreements to resell	—	411	640	445
Accrued investment income	2,224	3,014	4,986	5,947
Premiums receivable	553	744	979	1,980
Deferred tax assets	—	4	14	11
Reinsurance assets	4,611	4,553	4,535	4,702
Other assets	631	864	1,973	1,255
Cash and cash equivalents	6,521	12,608	27,368	19,543
Total assets	**164,959**	**206,618**	**304,566**	**346,668**

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB in millions)			
LIABILITIES AND EQUITY				
Liabilities				
Insurance contracts				
Long-term insurance contracts liabilities	116,659	163,226	233,821	267,853
Short-term insurance contracts liabilities				
Outstanding claims liabilities	122	159	274	301
Unearned premium liabilities	344	430	530	737
Financial liabilities				
Investment contracts	21,658	20,543	19,912	19,114
Borrowings	1,350	1,350	—	—
Financial assets sold under agreements to repurchase	20,669	12,248	24,712	33,645
Benefits, claims and surrenders payable	214	277	349	412
Premiums received in advance	321	412	390	193
Reinsurance liabilities	28	64	48	99
Provisions	430	430	574	458
Other liabilities	1,775	3,233	17,371	3,375
Deferred tax liabilities	1	—	—	—
Current income tax liabilities	—	3	12	4
Total liabilities	**163,571**	**202,375**	**297,993**	**326,191**
Shareholders' equity				
Share capital	1,200	1,200	1,200	2,600
Reserves	757	1,363	1,889	12,618
(Accumulated losses)/retained earnings	(577)	1,675	3,478	5,253
Total shareholders' equity	**1,380**	**4,238**	**6,567**	**20,471**
Non-controlling interests	**8**	**5**	**6**	**6**
Total equity	**1,388**	**4,243**	**6,573**	**20,477**
Total liabilities and equity	**164,959**	**206,618**	**304,566**	**346,668**

Financial and Operating Ratios

	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011 (not annualized)
Return on average equity(1)	25.3%	94.7%	41.6%	13.1%(7)
Return on average assets(2)	0.4%	1.4%	0.9%	0.5%
Net investment yield(3)	7.3%	3.9%	3.8%	2.0%
Total investment yield(4)	1.1%	4.6%	4.3%	2.2%
Administrative expenses ratio(5)	11.9%	11.0%	9.2%	7.9%
Commission and brokerage expenses ratio(6)	8.9%	8.6%	7.9%	7.2%

(1) Net profit for the period attributable to shareholders of the Company/[(equity attributable to shareholders of the Company at the beginning of the period + equity attributable to shareholders of the Company at the end of the period)/2]

(2) Net profit for the period attributable to shareholders of the Company/[(total assets at the beginning of the period + total assets at the end of the period)/2]

(3) Net investment income for the period/[(investment assets at the beginning of the period + investment assets at the end of the period)/2]

(4) Total investment income for the period/[(investment assets at the beginning of the period + investment assets at the end of the period)/2]

(5) Administrative expenses for the period/net premiums earned and policy fees

(6) Commission and brokerage expenses for the period/net premiums earned and policy fees

(7) Return on average equity for the first six months ended June 30, 2011 decreased primarily as a result of the RMB14 billion capital injection in March 2011

Solvency Margin Ratios

	As of December 31,			As of June 30,	As of September 30,
	2008	2009	2010	2011	
					(unaudited)
Solvency margin ratio	27.7%	36.2%	35.0%	106.1%	86.6%

DISCUSSION OF RESULTS OF OPERATIONS

Years Ended December 31, 2008, 2009 and 2010

Gross Written Premiums and Policy Fees

The following table sets forth the breakdown of our GWP by first year premiums and renewal premiums, as well as our policy fees for the years ended December 31, 2008, 2009 and 2010, together with the percentage of total GWP:

	For the year ended December 31,					
	2008		2009		2010	
	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%
of which:						
First year regular premiums	10,814	23.3%	17,766	27.3%	21,889	23.9%
Single premiums	24,752	53.3%	27,003	41.5%	34,077	37.2%
Renewal premiums	10,887	23.4%	20,272	31.2%	35,714	39.0%
Total GWP	**46,453**	**100.0%**	**65,040**	**100.0%**	**91,679**	**100.0%**
Policy fees	813	—	382	—	277	—
Total GWP and policy fees	**47,266**	—	**65,422**	—	**91,956**	—

Our GWP increased by 41.0% to RMB91,679 million in 2010 from RMB65,040 million in 2009. Our first year premiums increased by 25.0% to RMB55,966 million in 2010 from RMB44,769 million in 2009, primarily due to increased productivity of our individual insurance agents and the increased size and productivity of our bancassurance outlet network and account manager team. Our renewal premiums increased by 76.2% to RMB35,714 million in 2010 from RMB20,272 million in 2009, primarily reflecting the continued impact of the sales of our regular premium products in the previous years.

Our GWP increased by 40.0% to RMB65,040 million in 2009 from RMB46,453 million in 2008. Our first year premiums increased by 25.9% to RMB44,769 million in 2009 from RMB35,566 million in 2008, primarily due to increased number and productivity of our individual insurance agents and increased size of bancassurance outlet network and account manager team. Our renewal premiums increased by 86.2% to RMB20,272 million in 2009 from RMB10,887 million in 2008, primarily reflecting the continued impact of the sales of our regular premium products in the previous years.

Our policy fees income represents the revenue from investment contracts, and includes commissions and management fees collected during the contract period. Our policy fees decreased by 53.0% to RMB382 million in 2009 from RMB813 million in 2008, and further decreased by 27.5% to RMB277 million in 2010. The downward trend in our policy fee income from 2008 to 2010 is mainly due to our declining business in underwriting universal and unit-linked insurance policies, in particular as we temporarily suspended underwriting universal insurance policies during 2008 and 2009. See "Business — Individual Life Insurance — Products."

The following table sets forth our GWP (including breakdowns of GWP by (i) our two principal financial reporting segments and (ii) by distribution channels for our individual life insurance business) for the years ended December 31, 2008, 2009 and 2010, together with the percentage of year to year change in those items:

	For the year ended December 31,				
	2008	2009		2010	
	(RMB in millions)	(RMB in millions)	% change	(RMB in millions)	% change
GWP					
Individual life insurance	45,845	64,210	40.1%	90,599	41.1%
Of which:					
Individual insurance agent channel	14,457	20,248	40.1%	28,688	41.7%
Bancassurance channel	31,388	43,962	40.1%	61,690	40.3%
Wealth management channel	—	—	—	221	—
Group insurance	608	830	36.5%	1,080	30.1%
Total GWP	**46,453**	**65,040**	**40.0%**	**91,679**	**41.0%**

Individual Life Insurance

Individual Insurance Agent Channel. Growth in GWP in recent years through our individual insurance agent distribution channel was facilitated by the enhancement of the efficiency and productivity of our insurance agents and the increases in the number of high performing individual insurance agents. See "— Overview — Internal Factors Affecting Our Results of Operations and Financial Condition — Our Distribution Channels."

GWP attributable to individual life insurance products distributed through our individual insurance agent channel increased by 41.7% to RMB28,688 million in 2010 from RMB20,248 million in 2009. Most of the insurance policies we sell through our individual insurance agent channel are regular premium products. First year regular premiums increased by 41.7% to

RMB9,526 million in 2010 from RMB6,721 million in 2009, principally due to sales of our products with premium payment periods of five years or above. First year premiums from such products increased by 43.7% to RMB9,455 million in 2010 from RMB6,579 million in 2009, reflecting the continued popularity of certain of our participating products, including the Zunxiangrensheng ("尊享人生") product. First year regular premiums accounted for 91.4% and 92.1% of our total first year premiums in 2010 and 2009, respectively. Our renewal premiums increased by 41.1% to RMB18,270 million in 2010 from RMB12,949 million in 2009, principally reflecting the increased contribution of our regular premium products to our GWP in prior years.

GWP attributable to individual life insurance products distributed through our individual insurance agent channel increased by 40.1% to RMB20,248 million in 2009 from RMB14,457 million in 2008. First year regular premiums increased by 42.8% to RMB6,721 million in 2009 from RMB4,706 million in 2008, principally due to sales of our regular premium products with payment periods of five years or above. First year premiums from such products increased by 41.4% to RMB6,579 million in 2009 from RMB4,652 million in 2008, reflecting the increased popularity of certain of our participating products. First year regular premiums accounted for 92.1% and 91.6% of our total first year premiums in 2009 and 2008, respectively. Renewal premiums increased by 39.0% to RMB12,949 million in 2009 from RMB9,319 million in 2008, principally reflecting our increased efforts, starting in 2007, on selling regular premium products.

Bancassurance Channel. We emphasize working closely with bancassurance outlets and continue to optimize our product mix sold through this distribution channel. GWP attributable to individual life insurance products sold through our bancassurance channel increased by 40.3% to RMB61,690 million in 2010 from RMB43,962 million in 2009. First year regular premiums increased by 10.6% to RMB12,214 million in 2010 from RMB11,044 million in 2009, principally as a result of the continued popularity of our regular premium products with premium payment periods of five years or above. Premiums from such products increased by 14.2% to RMB11,099 million in 2010 from RMB9,716 million in 2009, and the percentage of our total first year premiums accounted for by such products increased from 88.0% in 2009 to 90.9% in 2010. Renewal premiums increased significantly by 139.5% to RMB17,372 million in 2010 from RMB7,253 million in 2009, principally reflecting our strategic focus on selling regular premium products through our bancassurance channel in prior years. We principally sell participating products through our bancassurance channel. We sell few health and accident insurance products through our bancassurance channel due to the complexity of selling such products at bank branches.

GWP attributable to individual life insurance products distributed through our bancassurance distribution channel increased by 40.1% to RMB43,962 million in 2009 from RMB31,388 million in 2008. First year regular premiums increased by 80.9% to RMB11,044 million in 2009 from RMB6,104 million in 2008, principally due to the increase of first year regular premiums from products with premium payment periods of five years or above from RMB3,361 million in 2008 to RMB9,716 million in 2009. Premiums from such products accounted for 55.1% and 88.0% of our first year regular premiums in 2008 and 2009, respectively. Meanwhile, renewal premiums increased significantly by 386.5% to RMB7,253 million in 2009 from RMB1,491 million in 2008.

Wealth Management Channel. We established our wealth management department in April 2010. GWP attributable to products distributed through our wealth management channel was RMB221 million in 2010, of which RMB150 million came from regular premiums, representing 67.6% of GWP from this channel. Our wealth management channel was responsible for approximately 0.2% of our total GWP and 0.7% of our total first year regular premiums in 2010.

Group Insurance

We primarily sell short-term health and accident insurance products in our group insurance business. GWP attributable to our group insurance business increased by 30.1% to RMB1,080 million in 2010 from RMB830 million in 2009, principally due to a 33.1% increase in GWP from health insurance products to RMB539 million in 2010 from RMB405 million in 2009, and a 28.0% increase in GWP from accident insurance products to RMB448 million in 2010 from RMB350 million in 2009.

GWP attributable to our group insurance business increased by 36.5% to RMB830 million in 2009 from RMB608 million in 2008, principally due to a 29.0% increase in GWP from health insurance products to RMB405 million in 2009 from RMB314 million in 2008, and a 47.7% increase in GWP from accident insurance products to RMB350 million in 2009 from RMB237 million in 2008.

Premiums Ceded Out

Premiums ceded out represent the portion of gross written premiums ceded to reinsurers, who share part of the insured risk that we have assumed under our life insurance contracts. Premiums ceded out were negative RMB46.0 million, negative RMB30.0 million and negative RMB32.0 million in 2008, 2009 and 2010, respectively. This was primarily because policy surrenders recovered from our reinsurers exceeded premiums we ceded to them in each of the years from 2008 to 2010.

Net Change in Unearned Premium Liabilities

Net change in unearned premium liabilities increased by 77.8% to RMB128 million in 2010 from RMB72 million in 2009 partly because our short-term health and accident insurance business grew in size, and also because in 2010 we terminated a quota share reinsurance agreement which was applicable to all short term insurance contracts. As a result, we experienced a decrease in recoverable ceded out unearned premium liabilities, with a consequential increase in our unearned premium liability.

Net change in unearned premium liabilities increased by 35.8% to RMB72 million in 2009 from RMB53.0 million in 2008, generally in line with the increase of the GWP from our short-term insurance products.

Net Premiums Earned and Policy Fees

Mainly as a result of the foregoing, our net premiums earned and policy fees increased by 40.5% to RMB91,860 million in 2010 from RMB65,380 million in 2009, and increased by 38.3% to RMB65,380 million in 2009 from RMB47,259 million in 2008.

Investment Income

Our investment income increased by 25.8% to RMB10,521 million in 2010 from RMB8,362 million in 2009, principally due to the increase in investment income from bank deposits, debt securities and other fixed-income investments. Our investment income from bank deposits and debt securities increased by 46.2% to RMB9,455 million in 2010 from RMB6,468 million in 2009. The increase in investment income from such fixed income assets partly resulted from our GWP growth over the past years, which in turn resulted in a significant increase in our investment assets, most of which comprised fixed-income assets. In addition, bank deposits and some of our newly acquired fixed-income securities enjoyed higher investment returns in 2010 as the PRC began tightening its monetary policy and increasing interest rates. Investment income from our equity securities decreased by 43.6% to RMB926 million in 2010 from RMB1,642 million in 2009, principally due to the decrease in fair value of our equity securities as a result of the continued decline of the PRC equity markets in 2010.

Our investment income increased by 426.2% to RMB8,362 million in 2009 from RMB1,589 million in 2008. This significant increase was due to a sharp rebound in the PRC equity markets in 2009, during which we realized an investment income of RMB1,642 million from our equity securities as their fair value increased, compared to a sharp decline in equity prices during the global financial crisis that began in late 2008, during which we suffered a net loss of RMB3,730 million, among which RMB8,423 million were from net unrealized losses, from our equity securities as their fair value decreased. In addition, investment income from our bank deposits, debt securities and other fixed-income securities also increased by 22.7% to RMB6,468 million in 2009 from RMB5,270 million in 2008. For more information of the components of our investment income and our investment yields, see "Business — Asset Management and Investment Portfolio."

Other Income

Our other income increased by 100.0% to RMB328 million in 2010 from RMB164 million in 2009, primarily due to a one-time grant of RMB110 million from a local government. Our other income increased by 25.2% to RMB164 million in 2009 from RMB131 million in 2008.

Total Revenues

As a result of the foregoing, our total revenues increased by 39.0% to RMB102,709 million in 2010 from RMB73,906 million in 2009, and increased by 50.9% to RMB73,906 million in 2009 from RMB48,979 million in 2008.

Claims and Net Change in Outstanding Claims Liabilities

Claims and net change in outstanding claims liabilities increased by 51.6% to RMB702 million in 2010 from RMB463 million in 2009, primarily due to business growth in recent years. In addition, in 2010, we terminated a quota share reinsurance agreement which was applicable to all short term insurance contracts, resulting in an increase in claims and net change in outstanding claims liabilities. Claims and net change in outstanding claims liabilities increased by 36.6% to RMB463 million in 2009 from RMB339 million in 2008, primarily due to business growth in recent years.

Life Insurance Death and Other Benefits

Life insurance death and other benefits increased by 21.8% to RMB12,548 million in 2010 from RMB10,300 million in 2009. This increase was generally in line with our overall business growth.

Life insurance death and other benefits decreased by 17.6% to RMB10,300 million in 2009 from RMB12,500 million in 2008. This decrease was primarily due to the maturity in 2008 of a large number of policies of a five-year participating endowment product sold in 2003.

Increase in Long-Term Insurance Contract Liabilities

Increase in long-term insurance contract liabilities increased by 53.2% to RMB70,361 million in 2010 from RMB45,932 million in 2009, generally in line with the growth of our long-term insurance business from 2009 to 2010.

Increase in long-term insurance contract liabilities increased by 86.0% to RMB45,932 million in 2009 from RMB24,701 million in 2008. This increase was primarily due to the growth of our long-term insurance business from 2008 to 2009. This increase was also partially due to our increase in participating life insurance contract liabilities based on our expectation of an increase in the dividend payouts of participating life insurance products resulting from higher investment returns in 2009 following a robust recovery of the PRC equity markets.

Investment Contract Benefits

Investment contract benefits decreased by 25.0% to RMB772 million in 2010 from RMB1,029 million in 2009. This decrease was primarily due to investment market fluctuations, as well as our reduced underwriting of universal and unit-linked insurance policies, especially in 2008 to 2009 as we temporarily suspended promoting universal insurance policies.

Investment contract benefits increased by 33.6% to RMB1,029 million in 2009 from RMB770 million in 2008. This increase was primarily due to an improved investment return as a result of the recovery of the PRC stock market in 2009, as compared to a depressed investment return in 2008 as a result of the global financial crisis that began in late 2008.

Commission and Brokerage Expenses

Commission and brokerage expenses increased by 29.0% to RMB7,252 million in 2010 from RMB5,623 million in 2009. Commission and brokerage expenses increased by 34.1% to RMB5,623 million in 2009 from RMB4,194 million in 2008. These increases were generally in line with the growth of our GWP during these three years.

Our commission and brokerage expenses as a percentage of our net premiums earned and policy fees were 8.9%, 8.6% and 7.9% in 2008, 2009 and 2010, respectively. The decrease of this percentage from 2008 to 2010 was primarily due to our increasing renewal premiums as a percentage of our total GWP (23.4%, 31.2% and 39.0% in 2008, 2009 and 2010, respectively) during these three years. Generally, the rate of commission and brokerage expenses of renewal premiums are lower than those of first year premiums.

Administrative Expenses

Administrative expenses increased by 16.7% to RMB8,410 million in 2010 from RMB7,206 million in 2009, and by 28.3% to RMB7,206 million in 2009 from RMB5,616 million in 2008, primarily reflecting the rising amount of performance-based compensation and the aggregate number of employees resulting from the expansion of our operations.

Our administrative expenses as a percentage of our net premiums earned and policy fees were 11.9%, 11.0% and 9.2% for 2008, 2009 and 2010, respectively, reflecting a continuous downward trend illustrating the economies of scale of our business and our increased efficiency in cost control and management of expenses.

Other Expenses

Other expenses decreased by 71.1% to RMB147 million in 2010 from RMB509 million in 2009. This decrease was primarily due to our recovery of a portion of an investment through a court order, thereby reversing an impairment loss of RMB300 million.

Other expenses increased by 69.1% to RMB509 million in 2009 from RMB301 million in 2008. This increase was primarily due to a RMB295 million loss provision incurred in relation to the cases of Taizhou and Yongzhou. See Note 13(3) of Section II to the Accountant's Report set forth in Appendix I to this prospectus and "Business — Legal Proceedings and Administrative Penalties."

Total Benefits, Claims and Expenses

As a result of the foregoing, our total benefits, claims and expenses increased by 41.0% to RMB100,192 million in 2010 from RMB71,062 million in 2009 and increased by 46.8% to RMB71,062 million in 2009 from RMB48,421 million in 2008.

Finance Cost

Finance cost increased by 36.3% to RMB263 million in 2010 from RMB193 million in 2009. This increase was primarily due to an increase in interest expense associated with financial assets sold under agreements to repurchase as a result of rising interest rates from 2009 to 2010, partially offset by a decrease in interest expense incurred from the subordinated bonds issued by us that matured in January 2010. Finance costs decreased by 48.7% to RMB193 million in 2009 from RMB376 million in 2008. This decrease was primarily due to a decrease in interest expense associated with financial assets sold under agreements to repurchase as a result of the interest rate decline in the fourth quarter of 2008 and the persistently lower interest rate levels during the entire year of 2009.

Net Profit Before Income Tax

As a result of the foregoing, net profit before income tax decreased by 14.9% to RMB2,255 million in 2010 from RMB2,651 million in 2009 and increased by 1,356.6% to RMB2,651 million in 2009 from RMB182 million in 2008.

Income Tax

Our income tax was a tax expense of RMB5 million in 2010. We recorded a tax credit of RMB10 million in 2009 and a tax credit of RMB469 million in 2008.

Our income tax comprises of two components: current income tax and deferred income tax. The fluctuations in our income tax were primarily affected by our deferred income tax. Our deferred tax assets and liabilities are related to the difference between the fair value and the historical cost of our financial assets carried at fair value. Therefore, fluctuations in the fair value of our financial assets directly impacted our deferred taxation in the past three years. We had small amounts of current income taxes from 2008 to 2010 because a large portion of our net profits were derived from non-taxable income, which principally includes government bond interest income and dividend income.

Net Profit

Net profit decreased by 15.4% to RMB2,250 million in 2010 from RMB2,661 million in 2009 primarily due to a decrease in our total investment yield in 2010 as a result of the decline of the domestic capital markets in 2010 compared to 2009 and net increase of insurance contract liabilities arising from our rapid business growth. Net profit increased by 308.8% to RMB2,661 million in 2009 from RMB651 million in 2008, primarily due to a significant increase in investment returns as a result of the recovery of domestic capital markets.

Other Comprehensive Income

Our other comprehensive income decreased by 59.6% to RMB80 million in 2010 from RMB198 million in 2009, principally due to fluctuations of the PRC equity markets in 2010 resulting in a decrease in the fair value of our available-for-sale financial assets.

Our other comprehensive income increased to RMB198 million in 2009 from a negative RMB3,011 million in 2008, principally due to the increase in 2009 of the fair value of our available-for-sale financial assets resulting from a recovering PRC equity markets, compared to its sharp decrease in 2008 after the financial crisis.

Six Months Ended June 30, 2010 and 2011

Gross Written Premiums and Policy Fees

The following table sets forth the breakdown of our GWP by first year premiums and renewal premiums, as well as our policy fees for the six months ended June 30, 2010 and 2011, together with the percentage of total GWP:

	For the six months ended June 30,			
	2010 (unaudited)		2011	
	(RMB in millions)	% of total	(RMB in millions)	% of total
GWP				
First year premiums	36,190	67.5%	24,112	47.6%
of which:				
First year regular premiums	11,912	22.2%	9,879	19.5%
First year single premiums	24,278	45.3%	14,233	28.1%
Renewal premiums	17,386	32.5%	26,550	52.4%
Total GWP	**53,576**	**100.0%**	**50,662**	**100.0%**
Policy fees	99	—	181	—
Total GWP and policy fees	**53,675**	—	**50,843**	—

Our total GWP decreased by 5.4% to RMB50,662 million in the six months ended June 30, 2011 from RMB53,576 million in the six months ended June 30, 2010, due to a RMB12,078 million, or 33.4%, decrease in first year premiums, partially offset by an increase in renewal premiums. The decrease in first year premiums was mostly due to a decrease from our bancassurance channel, reflecting the impact of recent PRC regulatory actions that strengthened the supervision over insurance products distributed through the bancassurance channel. Although we have taken various measures to reverse the trend, the regulatory measures may continue to have an adverse impact on our GWP. See "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Bancassurance" and "Business — Individual Life Insurance — Distribution Channels — Bancassurance Channel."

Our total regular premiums, including first year regular premiums and renewal premiums, as a percentage of our total GWP, increased to 71.9% in the six months ended June 30, 2011 from 54.7% in the six months ended June 30, 2010. Our renewal premiums increased by 52.7% to RMB26,550 million in the six months ended June 30, 2011 from RMB17,386 million in the six months ended June 30, 2010, primarily as a result of increased sales of our regular premium products in previous years.

Our policy fees increased by 82.8% to RMB181 million in the six months ended June 30, 2011 from RMB99 million in the six months ended June 30, 2010. The increase was mainly due to the increase in the commissions and the management fees from the resumption of sales of universal products since October 2010.

The following table sets forth our GWP by (i) our two principal financial reporting segments and (ii) a breakdown by distribution channel for our individual life insurance business, for the six months ended June 30, 2010 and 2011, together with the percentage of year over year changes for those items:

	For the six months ended June 30,		
	2010 (unaudited)	2011	
	(RMB in millions)	(RMB in millions)	% change
GWP			
Individual life insurance	52,951	49,890	(5.8%)
of which:			
Individual insurance agent channel	14,764	18,791	27.3%
Bancassurance channel	38,187	30,731	(19.5%)
Wealth management channel	—	368	—
Group insurance	625	772	23.6%
Total GWP	**53,576**	**50,662**	**(5.4%)**

Individual Life Insurance

Individual Insurance Agent Channel. GWP attributable to individual life insurance products distributed through our individual insurance agent channel increased by 27.3% to RMB18,791 million in the six months ended June 30, 2011 from RMB14,764 million in the same period in 2010. The increase was primarily due to the increase in our renewal premiums, which reflected increased sales of our regular premium products in previous years. Our individual insurance agents primarily sell regular premium products. First year regular premiums generated in this distribution channel decreased by 10.2% to RMB4,907 million in the six months ended June 30, 2011 from RMB5,462 million in the same period in 2010, as we increased our focus on selling products with longer premium payment periods. First year regular premiums from sales of our regular premium products with premium payment periods of 10 years or above increased by 58.8% to RMB3,334 million in the six months ended June 30, 2011, accounting for 67.9% of our total first year regular premiums generated in this channel in this period, from RMB2,100 million in the same period in 2010.

Bancassurance Channel. GWP attributable to individual life insurance products distributed through our bancassurance distribution channel decreased by 19.5% to RMB30,731 million in the six months ended June 30, 2011 from RMB38,187 million in the same period in 2010, as our first year single premiums decreased by 44.3% to RMB12,920 million in the six months ended June 30, 2011 from RMB23,198 million for the same period in 2010 and our first year regular premiums decreased 27.1% to RMB4,705 million in the six months ended June 30, 2011 from RMB6,450 million for the same period in 2010. This decrease reflected the impact of recent changes in banking and insurance regulatory environment. For instance, Notice No. 90 prohibits banks from allowing insurance company personnel to be stationed in any bank outlet for the purpose of selling insurance products. In addition, the decrease reflected our changes in the operation strategies and sales strategies for products with different premium payment periods. We seek to reverse the decrease by taking various measures, such as further enhancing our cooperation with commercial banks and providing targeted training to employees in the bancassurance channel.

Wealth Management Channel. We established our wealth management department in April 2010. GWP attributable to products distributed through our wealth management channel was RMB368 million in the six months ended June 30, 2011, of which RMB267 million was from regular premiums, representing 72.7% of GWP from this channel. Our wealth management channel attributed to approximately 0.7% of our total GWP and 2.7% of our total first year regular premiums in the six months ended June 30, 2011.

Group Insurance

We primarily sell short-term health and accident insurance products in our group insurance business. GWP attributable to our group insurance business increased by 23.6% to RMB772 million in the six months ended June 30, 2011 from RMB625 million in the same period in 2010, primarily due to a 42.5% increase in GWP from health insurance products to RMB459 million in the six months ended June 30, 2011 from RMB322 million in the same period in 2010, and a 13.9% increase in GWP from accident insurance products to RMB286 million in the six months ended June 30, 2011 from RMB251 million in the same period in 2010.

Premiums Ceded Out

Premiums ceded out were negative RMB18 million and negative RMB238 million in the six months ended June 30, 2010 and 2011, respectively. Premiums ceded out were negative primarily because policy surrenders recovered from our reinsurers exceeded the premiums we ceded to them in each of the six months ended June 30, 2010 and 2011. The increase was due to an increase in surrenders, which started during the six months ended June 30, 2011, from a participating insurance product we sold in large scale in 2006, with such surrenders proportionally recovered from our reinsurers. Since the cash value of such participating product at the end of its fifth year exceeded its premium paid, in combination with the rising interest rate in the PRC, some policyholders chose to surrender their policies starting from the end of the fifth year.

Net Change in Unearned Premium Liabilities

Net change in unearned premium liabilities increased by 17.0% to RMB193 million in the six months ended June 30, 2011 from RMB165 million in the same period in 2010, mainly because our short-term insurance business grew in size.

Net Premiums Earned and Policy Fees

Mainly as a result of the foregoing, our net premiums earned and policy fees decreased by 4.9% to RMB50,888 million in the six months ended June 30, 2011 from RMB53,528 million in the six months ended June 30, 2010.

Investment Income

Our investment income increased by 65.6% to RMB6,813 million in the six months ended June 30, 2011 from RMB4,114 million in the same period in 2010, primarily due to an increase of RMB1,791 million in interest income from debt securities and from bank deposits and an increase of RMB788 million in net realized gains from equity securities, partially offset by a decrease of RMB366 million in net realized gains from debt securities. The increase in interest income from debt securities and bank deposits was primarily due to the increase in relevant investment assets and an increase in interest rates. The increase in net realized gains from equity securities was mainly due to our investment strategy of reducing the proportion of equity securities in the first six months of 2011 and the resulting sale of certain equity securities to realize investment gains. The decrease in net realized gains and unrealized gains from debt securities was mainly due to the adverse effect on the market value of these debt securities caused by the rising interest rate.

For more information of the components of our investment income and our investment yield, see "Business — Asset Management and Investment Portfolio."

Other Income

Our other income decreased by 14.4% to RMB101 million in the six months ended June 30, 2011 from RMB118 million in the six months ended June 30, 2010. This decrease was primarily a result of the recovery of an investment prepaid in Zijin Century in the first six months of 2010. Other income represented a minimal percentage of our total revenues.

Total Revenues

As a result of the foregoing, our total revenues increased slightly to RMB57,802 million in the six months ended June 30, 2011 from RMB57,760 million in the same period in 2010.

Claims and Net Change in Outstanding Claims Liabilities

Claims and net change in outstanding claims liabilities increased by 32.4% to RMB368 million in the six months ended June 30, 2011 from RMB278 million in the same period in 2010, primarily due to our business growth in recent years and an increase in the number of claims.

Life Insurance Death and Other Benefits

Life insurance death and other benefits increased by 69.2% to RMB9,528 million in the six months ended June 30, 2011 from RMB5,630 million in the same period in 2010. This increase was primarily due to the increase in the volume of policies underwritten in previous years, and maturity payouts, as our business grows, and an increase in surrender payouts since the end of the fifth year of a participating product we sold on a large scale in 2006. Since the cash value of such a participating product at the end of its fifth year exceeded its premium paid, in combination with the rising interest rate environment in the PRC, some policyholders chose to surrender their policies starting from the end of the fifth year and we expect that such surrenders may continue. The increase in life insurance death and other benefits was also partially due to an increase in annuity payouts from products with periodic payments.

Increase in Long-Term Insurance Contract Liabilities

Increase in long-term insurance contract liabilities decreased by 12.5% to RMB37,620 million in the six months ended June 30, 2011 from RMB42,982 million in the same period in 2010, primarily due to the decrease in our GWP as compared to the same period in 2010 as well as increase in maturity and annuity payouts and surrenders. This increase was also due to prolonged premium payment periods of long-term insurance contracts.

Investment Contract Benefits

Investment contract benefits decreased slightly by 1.4% to RMB346 million in the six months ended June 30, 2011 from RMB351 million in the same period in 2010, staying relatively stable.

Commission and Brokerage Expenses

Commission and brokerage expenses decreased by 5.0% to RMB3,689 million in the six months ended June 30, 2011 from RMB3,884 million in the same period in 2010. This decrease was generally in line with the decrease in our GWP during these periods.

Administrative Expenses

Administrative expenses increased by 1.9% to RMB3,998 million in the six months ended June 30, 2011 from RMB3,925 million in the same period in 2010. This increase was primarily due to an increase in employee benefits.

Other Expenses

Other expenses increased to negative RMB108 million in the six months ended June 30, 2011 from negative RMB194 million in the same period in 2010. Other expenses in the six months ended June 30, 2011 were negative primarily due to the reversal of a portion of the provision for other receivables resulting from the recovery of RMB354 million from New Industry in March 2011, and other expenses in the six months ended June 30, 2010 were negative primarily due to the reversal of a portion of the provision for prepaid investment resulting from the recovery of RMB300 million from Zijin Century in the first half of 2010.

Total Benefits, Claims and Expenses

As a result of the foregoing, our total benefits, claims and expenses decreased by 2.5% to RMB55,441 million in the six months ended June 30, 2011 from RMB56,856 million in the same period in 2010.

Finance Cost

Finance cost increased by 401.6% to RMB311 million in the six months ended June 30, 2011 from RMB62 million in the same period in 2010. This increase was primarily due to an increase of RMB255 million in interest expenses incurred from financial assets sold under agreements to repurchase to meet short-term liquidity needs.

Profit Before Income Tax

As a result of the foregoing, net profit before income tax increased by 143.5% to RMB2,050 million in the six months ended June 30, 2011 from RMB842 million in the same period in 2010.

Income Tax

Our income tax increased by 3.8% to RMB275 million in the six months ended June 30, 2011 from RMB265 million in the same period in 2010. The increase was primarily due to an increase in deferred income tax resulting from unrealized gains and losses of our financial assets.

Net Profit

Net profit increased by 207.6% to RMB1,775 million in the six months ended June 30, 2011 from RMB577 million in the same period in 2010, partly due to the fact that we realized considerable gains from the disposal of part of our equity and debt securities in the first six months of 2011. The increase was also partly due to a significant increase in interest income on our bank deposits as interest rates in the PRC continue to rise since the fourth quarter of 2010.

Other Comprehensive Income

Our other comprehensive income decreased to negative RMB1,871 million in the six months ended June 30, 2011 from negative RMB1,231 million in the same period in 2010, primarily due to a decline in the fair value of our available-for-sale financial assets reflecting the fluctuations in the PRC capital markets in 2010 and the first six months of 2011.

DISCUSSION OF FINANCIAL POSITIONS

Assets

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our total assets amounted to RMB164,959 million, RMB206,618 million, RMB304,566 million and RMB346,668 million, respectively.

The following table sets forth the principal components of our financial assets as of December 31, 2008, 2009 and 2010 and June 30, 2011:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Financial Assets:				
Debt securities	120,511	138,169	164,726	174,879
— Held-to-maturity	80,575	107,661	122,016	127,956
— Available-for-sale	34,463	30,507	38,119	42,085
— At fair value through income	5,473	1	4,591	4,828
— Loans and receivables	—	—	—	10
Equity securities	4,630	23,366	38,874	30,843
— Available-for-sale	2,817	19,199	36,570	28,581
— At fair value through income	1,813	4,167	2,304	2,262
Term deposits	21,738	18,891	55,210	101,002
Other financial assets	2,652	4,013	6,688	8,307
Assets other than financial assets	15,428	22,179	39,068	31,637
Total assets	**164,959**	**206,618**	**304,566**	**346,668**

Debt securities

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our debt securities amounted to RMB120,511 million, RMB138,169 million, RMB164,726 million and RMB174,879 million, respectively.

Our debt securities increased by 6.2% to RMB174,879 million as of June 30, 2011 from RMB164,726 million as of December 31, 2010 whereas the proportion of our debt securities decreased to 52.3% of our total investment assets as of June 30, 2011 from 56.2% as of December 31, 2010. This was primarily due to the fact that we gradually increased term deposits with higher yields while we decreased the proportion of debt securities in our total investment assets, based on our judgment of the PRC's interest rate environment.

Our debt securities increased by 19.2% to RMB164,726 million as of December 31, 2010 from RMB138,169 million as of December 31, 2009, and increased by 14.7% to RMB138,169 million as of December 31, 2009 from RMB120,511 million as of December 31, 2008, primarily because our total investment assets experienced continued growth, and at the same time our debt securities represented a relatively high proportion of our total investment assets based on our considerations of asset-liability matching management.

Equity securities

As of December 31, 2008, 2009 and 2010 and June 30, 2011, the equity securities amounted to RMB4,630 million, RMB23,366 million, RMB38,874 million and RMB30,843 million, respectively.

Our equity securities decreased by 20.7% to RMB30,843 million as of June 30, 2011 from RMB38,874 million as of December 31, 2010, primarily because we gradually increased term deposits with higher yields while we decreased the proportion of equity securities in our total investment assets, based on our judgment of the PRC capital markets conditions.

Our equity securities increased by 66.4% to RMB38,874 million as of December 31, 2010 from RMB23,366 million as of December 31, 2009, primarily because in 2010 we increased the proportion of our equity securities to our total investment assets.

Our equity securities increased by 404.7% from RMB4,630 million as of December 31, 2008 to RMB23,366 million as of December 31, 2009, primarily because the fair value of our equity securities had sharply declined by the end of 2008 due to the significant fall in the PRC equity markets during the global financial crisis of 2008 and because we had reduced a portion of our equity securities, which resulted in a relatively low balance for equity securities as of the end of 2008.

Term deposits

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our term deposits amounted to RMB21,738 million, RMB18,891 million, RMB55,210 million and RMB101,002 million, respectively.

As of June 30, 2011, our term deposits increased by 82.9% to RMB101,002 million from RMB55,210 million as of December 31, 2010, primarily because in the first six months of 2011, based on our judgment of the PRC capital markets conditions and the PRC interest rate environment, we further increased the proportion of our term deposits in our total investment assets, in order to gain higher investment income.

As of December 31, 2010, our term deposits increased by 192.3% from RMB18,891 million as of December 31, 2009 to RMB55,210 million, primarily because with the gradual tightening of the PRC monetary policy in 2010, we invested more funds in term deposits with relatively high yields.

As of December 31, 2009, our term deposits decreased by 13.1% from RMB21,738 million as of December 31, 2008 to RMB18,891 million, primarily because, with the improvement in the PRC equity markets and the relatively low interest rates of term deposits, we actively increased the proportion of debt securities and equity securities in our total investment assets.

Assets other than financial assets

Assets other than financial assets are primarily comprised of property, plant and equipment, investment properties, intangible assets, investment in associates, premium receivables, deferred tax assets, reinsurance assets, cash and cash equivalents, and other assets, of which there were certain prepayments and receivables in relation to the Former Chairman's Misconduct, including receivable from off-balance sheet repurchase transactions, prepayment for our Heilongjiang branch's office building, and receivable from Huaxinrong Company. Based on our knowledge and our best estimate, we recognized full impairment for such prepayments and receivables. See "Business — Special Events" and "Appendix I — Accountant's Report" in this prospectus.

Liabilities

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our total liabilities amounted to RMB163,571 million, RMB202,375 million, RMB297,993 million and RMB326,191 million, respectively. Our liabilities are mainly comprised of insurance contracts liabilities, which increased along with the growth of our insurance business and contributed to the increase in our total liabilities.

The following table sets forth the principal components of our liabilities as of December 31, 2008, 2009 and 2010 and June 30, 2011:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Insurance Contracts				
Long-term insurance contracts liabilities	116,659	163,226	233,821	267,853
Short-term insurance contracts liabilities				
— Outstanding claims liabilities	122	159	274	301
— Unearned premium liabilities	344	430	530	737
Financial liabilities				
Investment contracts	21,658	20,543	19,912	19,114
Borrowings	1,350	1,350	—	—
Financial assets sold under agreements to repurchase	20,669	12,248	24,712	33,645
Liabilities other than insurance contracts and financial liabilities	2,769	4,419	18,744	4,541
Total liabilities	**163,571**	**202,375**	**297,993**	**326,191**

Insurance contracts liabilities

Our insurance contract liabilities are mainly composed of long-term insurance contract liabilities and short-term insurance contract liabilities.

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our insurance contract liabilities amounted to RMB117,125 million, RMB163,815 million, RMB234,625 million and RMB268,891 million, respectively. The increases in the balance of insurance contract liabilities over the periods were primarily due to the expanding size of our insurance business.

Investment contract liabilities

As of December 31, 2008, 2009 and 2010 and June 30, 2011, our investment contract liabilities amounted to RMB21,658 million, RMB20,543 million, RMB19,912 million and RMB19,114 million, respectively.

The decreases in investment contract liabilities over the periods were partially due to our ceasing to promote the sales of universal life insurance products from 2008 to 2009. Meanwhile, our investment contract liabilities decreased as the existing contracts terminated and settled in succession.

Borrowings

As of December 31, 2008 and 2009, the balance of our borrowings amounted to RMB1,350 million and RMB1,350 million, respectively, representing the subordinated debts we issued on December 30, 2004 under the approval of the CIRC. The subordinated debts matured on January 30, 2010.

Financial assets sold under agreements to repurchase

As of December 31, 2008, 2009 and 2010 and June 30, 2011, the balance of our financial assets sold under agreements to repurchase amounted to RMB20,669 million, RMB12,248 million, RMB24,712 million and RMB33,645 million, respectively. The fluctuations of balance mainly reflected our liabilities resulting from repurchase transactions for the purpose of meeting liquidity needs.

Liabilities other than insurance contracts and financial liabilities

Liabilities other than insurance contracts and financial liabilities are primarily comprised of benefits, claims and surrenders payable, premiums received in advance, reinsurance liabilities, provisions, deferred tax liabilities, current income tax liabilities and other liabilities. The benefits payable to employees under the other liabilities include the liabilities incurred by the pension insurance benefits, medical and health insurance benefits and other allowances paid from November 28, 2008 to July 27, 2010 by the Company to employees who participated in the Retirement Protection Plan. In July 2010, our Board decided to terminate the implementation of the above Retirement Protection Plan and surrender the relevant policies. The provision for the liabilities under the Retirement Protection Plan in the amount of RMB147 million was reversed accordingly. After the termination of the Retirement Protection Plan, certain of the employees who had not yet retired were transferred to the supplemental pension plan that the Company maintains for all employees and the Company paid RMB12 million in premiums for these employees for the period from November 2008 to July 2010. The accounting adjustments related to the Retirement Protection Plan resulted in approximately RMB135 million increase of our pre-tax profit for 2010.

LIQUIDITY AND CAPITAL RESOURCES

In the insurance industry, liquidity generally refers to the ability of an insurance company to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance policies. The liquidity needs of our life insurance operations are generally affected by trends in actual mortality and morbidity experience relative to the assumptions used in the pricing of our life insurance policies, by the extent to which minimum returns are provided in connection with our life insurance products and by the level of surrenders and withdrawals.

Our uses of funds include underwriting expenditures (benefits, surrenders, claims, including claims handling expenses, as well as dividends distributed for participating and universal life insurance policies), acquisition costs, employee and other operating expenses and interest expenses on outstanding borrowings.

The liquidity requirements of our insurance operations are fully met on both short-term and long-term basis by insurance premiums, policy fees and deposits collected, investment funds, investment income and cash received from the sale or maturity of investments. We also have access to additional liquidity through financial assets sold under agreements to repurchase. Our balance of cash and cash equivalents was RMB6,521 million, RMB12,608 million, RMB27,368 million and RMB19,543 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

Net cash inflows from operating activities were RMB30,228 million in 2008, RMB40,800 million in 2009 and RMB61,594 million in 2010. The increase in net cash inflows from operating activities from 2009 to 2010 primarily reflected an increase in premiums generated from insurance contracts. The increase in net cash inflows from operating activities from 2008 to 2009 was primarily due to an increase in premiums generated from insurance contracts as well as a decrease in benefits, claims and surrenders paid for insurance contracts in 2009 largely as a result of the maturity of a large number of policies of a five-year participating endowment life insurance product sold in 2003, which resulted in a significant increase in benefits paid out in 2008. Net cash inflows from operating activities were RMB30,837 million in the first six months ended June 30, 2011, compared to RMB38,700 million in the same period in 2010, primarily due to a decrease in premiums generated from insurance contracts and an increase in surrender payment cash outflows.

Net cash outflows from investing activities were RMB41,803 million in 2008, RMB26,093 million in 2009 and RMB71,722 million in 2010. The increase of RMB45,629 million in net cash outflows from investing activities from 2009 to 2010 primarily reflected a net increase of RMB39,166 million in term deposits and an increase of RMB7,846 million in net cash outflows resulting from the purchase and disposal of securities investments. The decrease of RMB15,710 million in net cash outflows from investing activities from 2008 to 2009 primarily reflected a decrease of RMB14,548 million in term deposits and a decrease of RMB6,623 million in net cash outflow resulting from the purchase and disposal of securities investments, partially offset by an increase of RMB2,437 million in net cash outflow for financial assets purchased under agreements to resell. Net cash outflows from investing activities were RMB48,042 million in the first six months ended June 30, 2011, compared to RMB44,383 million in the same period in 2010, primarily due to a net increase of RMB19,920 million in term deposits and an increase of RMB14,005 million in net cash inflow resulting from the purchase and disposal of securities investments.

Net cash inflows from financing activities were RMB12,954 million in 2008, negative RMB8,619 million in 2009 and RMB24,921 million in 2010. The increase of the net cash inflows from financing activities from 2009 to 2010 was primarily due to an increase of RMB20,805 million in net cash inflow from transactions relating to financial assets sold under agreements to repurchase and RMB14,026 million received through a capital injection from our shareholders, partially offset by an increase of RMB1,350 million in cash outflow from the repayment of our subordinated debt that matured in January 2010. The net cash inflows from financing activities decreased by RMB21,573 million from 2008 to 2009, primarily due to the change in net cash inflow from transactions relating to financial assets sold under agreements to repurchase. Net cash outflows from financing activities were RMB9,412 million in the first six months ended June 30, 2011, compared to RMB5,839 million in the same period in 2010, primarily due to an increase of RMB2,217 million in net cash outflow from the transactions relating to financial assets sold under agreements to repurchase.

Solvency Margin Ratio

The solvency margin ratio is a measure of capital adequacy for the PRC insurance companies and is calculated by dividing the actual capital (which is the difference between an insurance company's admitted assets and admitted liabilities as determined by the CIRC) by a statutory minimum capital. Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. As a general matter, the CIRC considers an insurance company with a solvency margin ratio of 150% or higher to be financially sound. If the solvency margin ratio falls between 100% and 150%, the CIRC may order the insurance company to submit and implement an solvency improvement plan and may impose other restrictions. If the solvency margin ratio falls below 100% (namely the "Inadequate Solvency" category), the CIRC may order the insurance company to increase its capital or restrict its distribution of dividends. The CIRC may also, among others, order the insurance company to dispose its assets, limit the compensation of senior management, limit the scope of investments and restrict the establishment of new branch entities or assume control of the insurance company's operations. For a detailed description of the solvency margin requirements, see "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Solvency Margin."

Our solvency margin depends on our ability to timely and adequately increase our capital base to meet the growth of our business. Due to the rapid development of the PRC life insurance market, the accumulation of retained comprehensive income for many insurance companies has been slower than that necessitated by their business development. Since our inception, we have experienced rapid growth. However, we were unable to raise capital in public markets as an unlisted company, or obtain additional capital from shareholders in a certain period of time. In each of 2008, 2009 and 2010 and during the first three months of 2011 (before March 31, 2011), we were unable to satisfy the minimum solvency margin requirements prescribed by the CIRC. While we were subject to various limitations, we were not penalized by the relevant regulatory authorities during these periods because we had complied with such limitations during these periods.

The management and corporate governance of the Company were in a period of transition from 2007 to December 2009. Following the discovery of the Former Chairman's Misconduct, the Company operated without a functioning Board until December 2009. Once a new Board was appointed, the Company was proactive in implementing measures to improve its solvency margin ratio, including strengthening profitability to support our rapid business growth and securing external financing. In 2010, as an voluntary initiative taken by our newly elected Board and not as a condition imposed by the CIRC, we raised RMB14.0 billion from existing shareholders to improve our solvency position. The capital raising of RMB14.0 billion was approved by the CIRC on March 30, 2011. As of June 30, 2011, our solvency margin ratio increased to 106.1% from 35.0% as of December 31, 2010.

However, as of September 30, 2011, our unaudited solvency margin ratio declined to 86.6% 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. However, as of the Latest Practicable Date, we have not received any request from the CIRC asking us to submit and implement a solvency improvement plan. 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.

The following table sets forth our solvency margin ratios as of December 31, 2008, 2009 and 2010 and June 30, 2011:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	(RMB in millions, except percentages)			
Actual capital	1,802	3,265	4,402	15,225
Minimum capital	6,496	9,024	12,583	14,354
Solvency margin ratio	27.7%	36.2%	35.0%	106.1%

Contractual Obligations

As of June 30, 2011, we did not have any material contractual obligations or commercial commitments, including long-term debt, operating lease commitments, purchase obligations or other capital commitments, other than contractual obligations under insurance and investment contracts that we enter into in our ordinary course of business and those described in the Accountant's Report set forth in Appendix I to this prospectus.

The following table sets forth our contractual obligations[(1)], other than contractual obligations under insurance and investment contracts that we entered into in the ordinary course of business, as of the dates indicated:

	As of December 31, 2008	2009	2010	As of June 30, 2011
	(RMB in millions)			
Capital commitments	27	14	6	4
Operating lease commitments	323	352	572	617
Less than 1 year (including 1 year)	128	151	229	257
1 to 5 years (including 5 years)	193	198	341	359
Above 5 years	2	3	2	1

In August 2011, the Company and Shanghai Port International Cruise Terminal Development Co., Ltd. entered into an agreement pursuant to which the Company agreed to purchase an office building in Shanghai for a total consideration of RMB2,264 million. The purchase price will be paid in several installments, the timing of which depends on the time it takes for us to convert our foreign currencies into Renminbi.

As of October 31, 2011, our contractual obligations totaled RMB1,917 million, other than (i) contractual obligations under insurance and investment contracts that we entered into in the ordinary course of business, (ii) our financial assets sold under agreements to repurchase and (iii) our borrowings in connection with our subordinated debt issued in September 2011.

Off-Balance Sheet Arrangements

As of June 30, 2011, we do not have any off-balance sheet arrangements.

Subordinated Debt Offering

In September 2011, following the approval by the CIRC, we completed an offering of our 10-year subordinated debt in an aggregate principal amount of RMB5 billion. We have the right to redeem the subordinated debt in part or in whole at face value on September 29, 2016. The subordinated debt bears an initial interest rate of 5.70% per annum, which will be increased to 7.70% per annum beginning on the sixth year, and matures on September 29, 2021. The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to our equity capital.

Contingencies

We are involved in various contingencies including lawsuits and disputes. The adverse effects caused by such contingencies mainly include claims arising from or related to insurance policies and other operations, the Former Chairman's Misconduct, funds defrauded by some of our former employees, and pending lawsuits and disputes. We have made provisions for probable losses arising from these disputes, including claims from insurance policies and other operations where our management could reasonably estimate the outcome of the lawsuit, after taking into account the advice from our legal counsels.

No provision has been made for any pending assessment, lawsuit or possible breach of contracts when the outcome cannot be reasonably estimated or our management believes that

(1) Do not include (i) our financial assets sold under agreements to repurchase, which mature within three months and which amounted to RMB20,669 million, RMB12,248 million, RMB24,712 million and RMB33,645 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively, and (ii) our borrowings in connection with our subordinated debts, which amounted to RMB1,350 million and RMB1,350 million as of December 31, 2008 and 2009, respectively, and which matured on January 30, 2010.

the probability of an adverse outcome is low or remote. Our management believes the liabilities arising from such pending lawsuits will not have any material adverse effect on our financial position or results of operations.

As of October 31, 2011, we did not have any material contingent liabilities, other than that relating to the disputes with our former president, Mr. SUN Bing, and former chairman of our Board of Supervisors, Mr. WU Juren, regarding the Retirement Protection Plan, which had been subsequently dismissed, and those representing our provision made for probable or possible losses as a result of legal proceedings or other disputes and claims, based on best estimate by our management. 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.

Quantitative and Qualitative Disclosure About Market Risk

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates, market interest rates and equity securities prices, whether any such change in fair value is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As of June 30, 2011, we had investment assets of RMB334.6 billion, which are subject to market risk arising from our investment activities.

We measure, manage and monitor the market risk associated with our investment assets on a continuous basis. In particular, we seek to mitigate our market risk through proper diversification of our investment portfolio and proper execution of investment decisions, based on the Investment Guidelines approved by our Investment Management Committee.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise term deposits and debt securities, changes in the level of interest rates can have a significant impact on our overall investment returns. We manage and test interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

We are also exposed to the risk of equity securities market volatility as a result of our investments in stocks and equity securities funds. In particular, a market downturn may cause realized and/or unrealized investment losses, which would adversely affect our results of operations.

Substantially all of our transactions are carried out in Renminbi. We have limited exposure to foreign exchange rate risk arising primarily with respect to bank deposits, debt securities and equity securities denominated in U.S. dollar or Hong Kong dollar. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may increase as the net proceeds are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to remit these proceeds into the PRC. If the foreign exchange rate of the non-Renminbi currencies declines against that of Renminbi, the fair values of the non-Renminbi-denominated assets would also decline.

Risk Exposure Estimates

We conduct sensitivity analyses to analyze the implications of changes in market conditions on our investment assets. The sensitivity analyses measure the changes in interest income and the potential loss in the fair values of market sensitive investment assets resulting from selected hypothetical changes in interest rates, equity prices and foreign exchange rates at a particular point in time.

We estimate interest rate risk sensitivity under the assumption of a 50 basis point increase or decrease in interest rates. If interest rates increase, the fair values of interest rate-sensitive instruments such as bonds may decrease, and vice versa. Furthermore, the magnitude of the decrease or increase may be different depending on the maturity, coupon or other characteristics of a particular instrument.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates with all other variables being held constant, net of portion attributable to policyholders of participating and unit-linked products.

	Impact on pre-tax profit			
	For the year ended December 31,			For the six months ended June 30,
	2008	2009(1)	2010	2011
	(RMB in millions)			
Change in market interest rates				
+50bp	(57)	0	(43)	(43)
-50bp	57	0	44	45

(1) The amount of impact on the pre-tax profit of the Company for the year 2009, if there was a positive or negative 50 basis point change in market interest rates, was less than RMB50,000.

	Impact on pre-tax available-for-sale reserve in equity			
	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Change in market interest rates				
+50bp	(528)	(388)	(367)	(422)
-50bp	528	409	382	439

We estimate price risk sensitivity by assuming a 10% increase or decrease in the prices of all of our equity securities with all other variables being held constant.

Price risk mainly arises from the price volatility of our equity securities. Equity securities prices depend on market conditions.

The analysis below reflects the impact of a 10% change in the prices of all of our equity securities with all other variables being held constant.

	Impact on pre-tax profit			
	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Change in equity securities' prices				
+10%	57	141	63	60
-10%	(57)	(141)	(63)	(60)

	Impact on pre-tax available-for-sale reserve in equity			
	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011
	(RMB in millions)			
Change in equity securities' prices				
+10%	94	775	1,405	1,080
-10%	(94)	(775)	(1,405)	(1,080)

We estimate foreign exchange rate risk sensitivity by assuming a 10% depreciation or appreciation in all non-Renminbi currency exchange rates against the Renminbi. If non-Renminbi currencies depreciate against the Renminbi, the carrying value of our non-Renminbi denominated term deposits, cash and cash equivalents and other assets will decrease, and vice versa.

The analysis below reflects the impact of a 10% change in the foreign exchange rate of all of our foreign monetary assets.

	Impact on pre-tax profit			
	For the year ended December 31,			For the six months ended June 30, 2011
	2008	2009	2010	2011
	(RMB in millions)			
Change in RMB currency exchange rate against US dollar/HK dollar				
+10%	(85)	(63)	(409)	(365)
-10%	85	63	409	365

We believe that the sensitivity analyses make reasonable assumptions based on past observations about market conditions. While market changes exceeding 50 basis points, in the case of interest rate, or 10%, in the case of equity price and foreign exchange rate, are possible, we believe our sensitivity analyses are fair estimates of the risk inherent in our investment assets.

While we have conducted the sensitivity analyses based on simplified assumptions, we believe they provide a useful framework for understanding our risk management analysis and strategies.

Limitations of Sensitivity Analysis

While we consider sensitivity analysis to provide us with a valid estimation of market risk exposures, we recognize that there are certain limitations in its use.

Changes of prices in a diversified portfolio have offsetting effects, known as the "diversification effect" of holding a portfolio consisting of different assets, since different assets revalue in different directions or in different magnitudes in response to marketplace changes. We have not taken diversification into account in our risk estimates due to the generalized assumptions of a sensitivity analysis. The actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, routine daily business activity entails a certain amount of change in a portfolio's composition as bonds mature or as we buy or sell investment assets. As a result, the actual sensitivity of our portfolio will vary at any particular point in time, and the risk of loss from interest rate, foreign exchange rate or other risks cannot be eliminated.

In addition, our sensitivity analyses are estimates based on fixed points in the past. Nearly all of our assets and liabilities are subject to market risk from fluctuating equity prices, interest rates and foreign exchange rates. These fluctuations cannot be foreseen and could occur very suddenly. The quantitative risk measures provided by the sensitivity analysis are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters, which, though reasonably possible, may differ considerably from actual losses experienced in the future.

PROFIT FORECAST

The Directors believe that, on the basis and assumptions set out in Appendix III — "Profit Forecast," and in the absence of unforeseen circumstances, our consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011 is unlikely to be less than RMB2,712 million. The profit forecast has been prepared by the Directors based on our audited consolidated results for the first six months of 2011, our unaudited consolidated financial results based on management accounts for the three months ended September 30, 2011 and a forecast of our consolidated results for the remaining three months ending December 31, 2011 and the absence of unforeseen circumstances. The forecast for the year ending December 31, 2011 has been prepared on a basis consistent in all material respects with the accounting policies adopted by us as set out in the Accountant's Report in Appendix I to this prospectus.

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2011, but without taking into account any effect of the A Share Offering or the exercise of the H Share Over-Allotment Option. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial results following the Global Offering.

Forecast consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011[(1)]	not less than RMB2,712 million
Unaudited pro forma forecast earnings per Share[(2)]	not less than RMB1.04 (HK$1.28)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus.

(2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011 and a weighted average of 2,608,420,000 Shares in issuance for the entire year of 2011, which was derived by assuming that the Global Offering had been completed on January 1, 2011 and taking into consideration of the fact that the Company had issued 1.4 billion new Shares on March 31, 2011, but without taking into account any Shares which may be issued upon the exercise of the H Share Over-Allotment Option or in the A Share Offering.

The unaudited pro forma forecast earnings per Share set forth in the table below is for the purpose of illustrating the effect of both the A Share Offering and the Global Offering as if they had taken place on January 1, 2011, but without taking into account any effect of the exercise of the H Share Over-Allotment Option.

Forecast consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011[(1)]	not less than RMB2,712 million
Unaudited pro forma forecast earnings per Share[(2)]	not less than RMB0.98 (HK$1.20)

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus.

(2) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to shareholders of our Company for the year ending December 31, 2011 and a weighted average of 2,766,960,000 Shares in issuance for the entire year of 2011, which was derived by assuming that the Global Offering and the A Share Offering had been completed on January 1, 2011 and taking into consideration of the fact that The Company had issued 1.4 billion new Shares on March 31, 2011, but without taking into account any Shares which may be issued upon the exercise of the H-Share Over-Allotment Option.

DIVIDEND POLICY

The payment of any dividend by us must be approved by our Shareholders in a Shareholders' general meeting. Profit distribution plans formulated by the Board must be approved by two thirds or more of the Directors. In addition, votes representing more than one half of the voting rights represented by the Shareholders present at the Shareholders' general meeting must be voted in favor of the plans. Upon the approval of a profit distribution plan at a Shareholders' general meeting, we will distribute such profits to our Shareholders within two months.

While our Board intends to recommend the declaration of cash dividends to the Shareholders in our general meeting, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on:

- our results of operations and cash flows;
- our financial position;

- statutory solvency requirements under CIRC rules;
- general business conditions;
- our future prospects;
- statutory and regulatory restrictions on the payment of dividends by us; and
- other factors that our Board deems relevant.

Our Board will declare dividends, if any, in Renminbi with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to Shareholders' approval. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions declared by our Board.

Even though we have been identified as a state-owned enterprise controlled by the State according to the State-owned Assets Ownership Registration Certificate of the PRC Enterprise issued by the Ministry of Finance on June 8, 2011, we are not an enterprise conducting corporate restructuring as defined in the Provisional Regulation Relating to Corporate Restructuring of Enterprises and Related Management of State-owned Capital and Financial Treatment (《企業公司制改建有關國有資本管理與財務處理的暫行規定》). Therefore, the provisions with respect to dividend distribution to investors as stipulated in such regulation are not applicable to us. Furthermore, according to the Proposal Regarding the Accumulated Profit Distribution Plan of Initial Public Offering and Listing approved by our first Shareholders' extraordinary general meeting of 2011 on March 31, 2011, all the profits accumulated prior to and after our A Share Offering and Global Offering and listing of our Company will be jointly shared by the new and Existing Shareholders of the Company.

In accordance with applicable requirements of the PRC Company Law, we may only distribute dividends after we have made allowance for:

- recovery of losses, if any;
- allocation to the statutory surplus reserve;
- allocation to the general risk reserve; and
- allocation to a discretionary surplus reserve fund if approved by our Shareholders and after allocation is made to the statutory surplus reserve.

The allocations to the statutory surplus reserve are currently 10% of our net profit determined in accordance with PRC GAAP. The accumulated amount of the statutory surplus reserve is not subject to any allocation when surpassing 50% of the registered capital of the company. Under the applicable PRC laws, our distributable profits will be equal to our net profit, as determined in accordance with PRC GAAP or IFRS, whichever is lower, less allocations to the statutory surplus reserve, general risk reserve and discretionary surplus reserve. The CIRC may impose restrictions on our ability to pay dividends based on our solvency margin ratio. For insurance companies with a solvency margin ratio not higher than 150%, profit distribution shall be made on the basis of distributable profits as determined under the PRC GAAP, or retained comprehensive income as determined under the Solvency Reporting Standards for Insurance Companies, whichever is lower. The CIRC also has discretionary authority to prohibit any insurance company that has a solvency margin ratio below 100% from paying dividends and other forms of distribution. See "Supervision and Regulation — Supervision and Regulation Under the Principal Law and Regulation — Solvency Margin."

We have not declared or paid cash dividends during the Track Record Period except as described below, mainly due to the regulatory requirement that the company is subject to limitations in distributing dividends to the shareholders when the solvency margin ratio of the company fails to meet the minimum regulatory requirement.

In October 2011, in order to protect the interest of investors, our Board and shareholders approved a special dividend of at least RMB1 billion in relation to the Former Chairman's Misconduct. See "Business — Special Events — Investor Protection Mechanism" for more information. Aside from this special dividend, our Board currently has no plan for any dividend distribution for the year 2011.

Pursuant to the Articles of Association of our Company effective upon the completion of the Global Offering and listing on the Hong Kong Stock Exchange, our profit distribution policy shall be as follows, unless otherwise adjusted in accordance with the relevant procedures set forth in the Articles of Association:

- The Company may pay dividends either in the form of cash or Shares.
- The annual profit distribution plans will be formulated by our Board based on our solvency margin ratio, business development and results of operations, subject to the laws and regulations in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the distributable profits of the year. The specific profit distribution plan each year will be then adopted upon approval by a Shareholders' general meeting. Following a resolution approving such profit distribution plan at a Shareholders' general meeting, our Board shall complete the distribution of the dividends within two months from the convening of such meeting.
- Our financial statements may be prepared in accordance with IFRS or accounting standards of the listing jurisdiction in addition to the PRC GAAP. If there is any material discrepancy between the financial statements prepared in accordance with different accounting standards, an explanation shall be made in the notes to the financial statements. When the Company distributes the profits after tax for the relevant fiscal years, the financial statements showing the least profits after tax shall apply.

Furthermore, pursuant to the Administrative Provisions on the Solvency Margin of Insurance Companies, an insurance company, the solvency margin ratio of which is not higher than 150%, shall adopt the lower of the following two items as the basis for distributing profits: (i) the distributable profits as determined according to the PRC GAAP; or (ii) the retained comprehensive income as determined according to the Solvency Reporting Standards for Insurance Companies. In addition, the CIRC may impose regulatory restrictions on the distribution of dividends by an insurance company with a solvency margin ratio of less than 100%.

The Company will mainly consider the following factors when formulating annual dividend distribution plans:

- Our ability to distribute dividends is, to some extent, limited by our solvency margin ratio. We will take into account the potential impact of our dividend distribution on our solvency margin ratio when formulating our dividend distribution plan. We will seek to set a reasonable percentage for the cash component of our dividend.
- After the completion of our Global Offering and A Share Offering, subject to applicable laws and regulations, our annual cash dividend shall be no less than 10% of the

distributable profits of each year. We plan to improve our solvency margin ratio through internal capital generation wherever possible. Therefore, we will seek to retain an appropriate portion of our distributable profits in order to strengthen our capital base without frequent external equity financing.

- Our solvency margin ratio is affected by many factors. It can be highly sensitive to fluctuations in the capital markets. Because that price fluctuations in the bond and equity markets could result in significant fluctuations in solvency margin ratio, we will make prudent decision regarding dividend distribution in order to avoid unfavorable solvency margin ratio.

In the long term, we aim to maintain a solvency margin ratio higher than 150% to support our business growth and dividend distribution. We may also consider increasing the amount of dividend distribution when condition allows.

DISTRIBUTABLE PROFITS

The calculation of distributable profits for an insurance company under PRC GAAP differs in a few respects from the calculation under IFRS or the accounting standards of the listing jurisdiction. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under IFRS, or vice versa. Payment of dividends by us is also regulated by the relevant PRC insurance laws and regulations.

Pursuant to our Articles of Association, following the listing of our H Shares on the Hong Kong Stock Exchange, the amount of our retained profits available for distribution shall be the lower of the amount determined under PRC GAAP and that determined under IFRS. As of June 30, 2011, our retained earnings were RMB5,184 million under PRC GAAP and RMB5,135 million under IFRS.

INDEBTEDNESS

As of June 30, 2011, we had financial assets sold under agreements to repurchase in the amount of RMB33,645 million.

In September 2011, following the approval by the CIRC, we completed an offering of our 10-year subordinated debt in an aggregate principal amount of RMB5 billion. We have the right to redeem the subordinated debt in part or in whole at face value on September 29, 2016. The subordinated debt bears an interest rate of 5.70% per annum, which will be increased to 7.70% per annum beginning on the sixth year, and matures on September 29, 2021. The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to our equity capital. In addition, as of October 31, 2011, we had financial assets sold under agreements to repurchase in the amount of RMB24,868 million.

Except as otherwise disclosed in this prospectus, as of October 31, 2011, we did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since October 31, 2011.

PROPERTY INTERESTS

Our property interests were valued at approximately RMB5,112 million as of September 30, 2011 by Jones Lang LaSalle Sallmans Limited, an independent property valuer. Details of our property interests are set out in the letter and valuation certificates of Property Valuation Report set forth in Appendix IV to this prospectus.

The table below sets forth (i) the reconciliation of our property interests from our audited consolidated financial information as of June 30, 2011 to the unaudited net book value of our property interests as of September 30, 2011; and (ii) the reconciliation of the unaudited net book value of our property interests and the valuation of such property interests as of September 30, 2011.

	RMB in millions
Net book value of our property interests as of June 30, 2011	2,946
Movements for the three months ended September 30, 2011	
Depreciation	(18)
Net book value of our property interests as of September 30, 2011	**2,928**
Valuation surplus as of September 30, 2011	2,184
Valuation as of September 30, 2011 as set forth in Appendix IV to this prospectus	**5,112**

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

MAJOR CUSTOMERS

None of our customers, nor our top five major customers in aggregate, accounted for 30% or more of our GWP and policy fees from our insurance businesses in 2008, 2009, 2010 or the first half of 2011.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources currently and potentially available to us, including our internally generated funds, the estimated net proceeds of the Global Offering and the A Share Offering and the potential subordinated debt offering in compliance with CIRC and other regulatory requirements, we have sufficient working capital for our present requirements that is for at least the next 12 months from the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND EMBEDDED VALUE

The following unaudited pro forma adjusted net tangible assets, prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules, is set out below for illustrative purpose only, and is set out herein to provide prospective investors with further financial information about how the proposed listing of our H Shares might have affected our net tangible assets after the completion of the Global Offering. Because of its hypothetical nature, this pro forma financial information may not give a true picture of our financial position had the Global Offering been completed as of June 30, 2011 or any future date.

	Audited consolidated net tangible assets of our Company attributable to Shareholders of our Company as at June 30, 2011[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets attributable to Shareholders of our Company as at June 30, 2011	Unaudited pro forma adjusted net tangible assets per Share attributable to Shareholders of our Company as at June 30, 2011[(3)]	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB)	(HK$)
Based on an Offer Price of HK$28.20 per H Share	20,420	7,874	28,294	9.56	11.73
Based on an Offer Price of HK$34.33 per H Share	20,420	9,611	30,031	10.15	12.45

(1) Our consolidated net tangible assets attributable to Shareholders of our Company as at June 30, 2011 is extracted from the accountant's report of our Company as set out in Appendix I to this prospectus, which is based on our audited consolidated net assets attributable to Shareholders of our Company of RMB20,471 million as at June 30, 2011 with an adjustment for the intangible assets as at June 30, 2011 of RMB51 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$28.20 and HK$34.33 per H Share, respectively, after deduction of the estimated underwriting fees and other expenses payable by our Company, and do not take into account any H Shares which may be issued pursuant to the H Share Over-Allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 2,958,420,000 Shares are outstanding assuming the Global Offering had been completed on June 30, 2011, but does not take into account any A Shares which may be issued upon A Share Offering and any H Shares which may be issued upon the exercise of the H Share Over-Allotment Option. Had effect been given to the A Share Offering in this calculation, the unaudited pro forma adjusted net tangible assets per Share would have been HK$12.53 (RMB10.21) based on the offer price of HK$28.20 per H Share and RMB23.00 per A Share and HK$13.51 (RMB11.02) based on the offer price of HK$34.33 per H Share and RMB28.00 per A Share. This calculation is based on the assumption that 158,540,000 new A Shares were in issue in the A Share Offering and the resulting net proceeds (after deducting the estimated underwriting fees and other expenses payable by our Company) of approximately RMB3,533 million (based on an offer price of RMB23.00 per A Share) and approximately RMB4,310 million (based on an offer price of RMB28.00 per A Share) from the A Share Offering.

(4) Details of the valuations of our Company's properties as at September 30, 2011 are set out in "Appendix IV Property Valuation Report" in this Prospectus. The revaluation surplus or deficit of these properties was not incorporated in our Company's consolidated financial information for the six months ended June 30, 2011. It is our Company's accounting policy to state its property, plant and equipment and investment properties at cost less accumulated depreciation/amortization and any impairment loss rather than at revalued amounts.

(5) No adjustment has been made to reflect any trading result or other transactions of our Company entered into subsequent to June 30, 2011.

The following statement of our embedded value, adjusted for estimated net proceeds from the Global Offering, is based on our embedded value as of June 30, 2011 and adjusted as follows:

	Embedded value of our Company as of June 30, 2011(1)	Estimated net proceeds to us from the Global Offering(2)	Embedded value, adjusted for estimated net proceeds from the Global Offering	Embedded value per Share, adjusted for estimated net proceeds from the Global Offering(3)	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB)	(HK$)
Based on an Offer Price of HK$28.20 per H Share	42,323	7,874	50,197	16.97	20.81
Based on an Offer Price of HK$34.33 per H Share	42,323	9,611	51,934	17.55	21.53

(1) Based on estimate of embedded value of our Company assuming a risk discount rate of 11.5%.

(2) The estimated net proceeds to us from the Global Offering are based on the indicative Offer Price of HK$28.20 and HK$34.33 per H Share, respectively, after deduction of the estimated underwriting fees and other expenses payable by our Company, and do not take into account any H Shares which may be issued pursuant to the H-Share Over-Allotment Option or any A Shares which may be issued upon A Share Offering.

(3) The embedded value per Share, adjusted for estimated net proceeds from the Global Offering, is arrived at after the adjustments as described in note 2 above and on the basis that 2,958,420,000 Shares are outstanding assuming the Global Offering had been completed on June 30, 2011, but without taking into account any A Shares which may be issued upon A Share Offering and any H Shares which may be issued upon the exercise of the H Share Over-Allotment Option. Had effect been given to the A Share Offering in this calculation, the embedded value per Share would have been HK$21.14 (RMB17.24) based on the offer price of HK$28.20 per H Share and RMB23.00 per A Share and HK$22.13 (RMB18.04) based on the offer price of HK$34.33 per H Share and RMB28.00 per A Share. This calculation is based on the assumption that 158,540,000 new A Shares were issued in the A Share Offering and the resulting net proceeds (after deducting the estimated underwriting fees and other expenses payable by our Company) of approximately RMB3,533 million (based on an offer price of RMB23.00 per A Share) and approximately RMB4,310 million (based on an offer price of RMB28.00 per A share) from the A Share Offering.

BUSINESS INTERRUPTION

There was no interruption in our business that may have or have had a significant effect on our financial position in the 12 months prior to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

As of the Latest Practicable Date, the Directors were of the view that our continuing related party transactions, as disclosed in the Accountant's Report set forth in Appendix I to this prospectus, will continue after the listing of our H Shares.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all due diligence work which the Directors consider appropriate, that there has been no material adverse change in our financial position or prospects since June 30, 2011.