The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

December 2, 2011

The Directors
New China Life Insurance Company Ltd.

China International Capital Corporation Hong Kong Securities Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We report on the financial information of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as of December 31, 2008, 2009 and 2010 and June 30, 2011, the statements of financial position of the Company as of December 31, 2008, 2009 and 2010 and June 30, 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated December 2, 2011 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the People's Republic of China (the "PRC") in September 1996 as a joint stock limited company. Its establishment was approved by the State Council of the PRC and the People's Bank of China (the "PBC").

As of the date of this report, the Company has direct and indirect interests in the subsidiaries and associates as set out in Note 1 and Note 9 of Section II below. All of these companies are private companies.

All companies comprising the Group have adopted December 31 as their financial year end date. The consolidated financial statements of the Group as of and for the year ended December 31, 2008, 2009 and 2010 and as of and for the six months ended June 30, 2011 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The audited financial statements of the other companies comprising the Group as of the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II.

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The directors of the Company are responsible for the preparation of the consolidated financial statements of the Group that gives a true and fair view and the preparation and fair presentation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

The financial information has been prepared based on the previously issued audited financial statements or where appropriate, unaudited consolidated financial statements of the Group with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report a true and fair view of the state of affairs of the Company as of December 31, 2008, 2009 and 2010 and June 30, 2011 and of the state of affairs of the Group as of December 31, 2008, 2009 and 2010 and June 30, 2011 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB") . A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing ("ISA") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as of December 31, 2008, 2009 and 2010 and June 30, 2011 and for each of the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011 (the "Financial Information"):

Consolidated Statements of Financial Position
(All amounts in Renminbi ("RMB") millions unless otherwise stated)

	Notes	As of December 31, 2008	2009	2010	As of June 30, 2011
ASSETS					
Property, plant and equipment	6	2,408	2,896	2,922	2,810
Investment properties	7	634	448	513	578
Intangible assets	8	70	52	57	51
Investments in associates	9	—	10	707	707
Financial assets					
Debt securities		120,511	138,169	164,726	174,879
- Held-to-maturity	10(1)	80,575	107,661	122,016	127,956
- Available-for-sale	10(2)	34,463	30,507	38,119	42,085
- At fair value through income	10(3)	5,473	1	4,591	4,828
- Loans and receivables		—	—	—	10
Equity securities		4,630	23,366	38,874	30,843
- Available-for-sale	10(2)	2,817	19,199	36,570	28,581
- At fair value through income	10(3)	1,813	4,167	2,304	2,262
Term deposits	10(4)	21,738	18,891	55,210	101,002
Statutory deposits	10(5)	242	242	242	522
Policy loans		186	346	820	1,393
Financial assets purchased under agreements to resell	10(6)	—	411	640	445
Accrued investment income	10(7)	2,224	3,014	4,986	5,947
Premiums receivable	11	553	744	979	1,980
Deferred tax assets	20	—	4	14	11
Reinsurance assets	12	4,611	4,553	4,535	4,702
Other assets	13	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

Consolidated Statements of Financial Position (Continued)
(All amounts in RMB millions unless otherwise stated)

	Notes	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
LIABILITIES AND EQUITY					
Liabilities					
Insurance contracts					
Long-term insurance contracts liabilities	14	116,659	163,226	233,821	267,853
Short-term insurance contracts liabilities					
- Outstanding claims liabilities	14	122	159	274	301
- Unearned premium liabilities	14	344	430	530	737
Financial liabilities					
Investment contracts	15	21,658	20,543	19,912	19,114
Borrowings	16	1,350	1,350	—	—
Financial assets sold under agreements to repurchase	17	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	18	430	430	574	458
Other liabilities	19	1,775	3,233	17,371	3,375
Deferred tax liabilities	20	1	—	—	—
Current income tax liabilities		—	3	12	4
Total liabilities		163,571	202,375	297,993	326,191
Shareholders' equity					
Share capital	21	1,200	1,200	1,200	2,600
Reserves	22	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

Statements of Financial Position of the Company
(All amounts in RMB millions unless otherwise stated)

	Notes	As of December 31, 2008	2009	2010	As of June 30, 2011
ASSETS					
Property, plant and equipment	6	2,247	2,736	2,532	2,422
Investment properties	7	634	448	513	578
Intangible assets	8	66	49	54	48
Investments in subsidiaries		106	109	109	109
Investments in associates	9	—	10	610	610
Financial assets					
Debt securities		120,404	138,169	164,726	174,869
- Held-to-maturity	10(1)	80,575	107,661	122,016	127,956
- Available-for-sale	10(2)	34,364	30,507	38,119	42,085
- At fair value through income	10(3)	5,465	1	4,591	4,828
Equity securities		4,630	23,346	38,874	30,843
- Available-for-sale	10(2)	2,817	19,199	36,570	28,581
- At fair value through income	10(3)	1,813	4,147	2,304	2,262
Term deposits	10(4)	21,738	18,798	55,050	100,838
Statutory deposits	10(5)	240	240	240	520
Policy loans		186	346	820	1,393
Financial assets purchased under agreements to resell	10(6)	—	411	615	425
Accrued investment income	10(7)	2,219	3,014	4,982	5,942
Premiums receivable	11	553	744	979	1,980
Deferred tax assets	20	—	—	—	—
Reinsurance assets	12	4,611	4,553	4,535	4,702
Other assets	13	799	1,032	2,372	1,662
Cash and cash equivalents		6,493	12,556	27,344	19,515
Total assets		164,926	206,561	304,355	346,456

Statements of Financial Position of the Company (Continued)
(All amounts in RMB millions unless otherwise stated)

	Notes	As of December 31, 2008	2009	2010	As of June 30, 2011
LIABILITIES AND EQUITY					
Liabilities					
Insurance contracts					
Long-term insurance contracts liabilities	14	116,659	163,226	233,821	267,853
Short-term insurance contracts liabilities					
- Outstanding claims liabilities	14	122	159	274	301
- Unearned premium liabilities	14	344	430	530	737
Financial liabilities					
Investment contracts	15	21,658	20,543	19,912	19,114
Borrowings	16	1,350	1,350	—	—
Financial assets sold under agreements to repurchase	17	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	18	430	430	574	458
Other liabilities	19	1,787	3,223	17,333	3,339
Deferred tax liabilities	20	—	—	—	—
Total liabilities		163,582	202,362	297,943	326,151
Shareholders' equity					
Share capital	21	1,200	1,200	1,200	2,600
Reserves	22	748	1,363	1,841	12,570
(Accumulated losses) / Retained earnings		(604)	1,636	3,371	5,135
Total equity		1,344	4,199	6,412	20,305
Total liabilities and equity		164,926	206,561	304,355	346,456

Consolidated Statements of Comprehensive Income
(All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2010 (unaudited)	2011
REVENUES						
Gross written premiums and policy fees	23	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	24	1,589	8,362	10,521	4,114	6,813
Other income	25	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	26	(339)	(463)	(702)	(278)	(368)
Life insurance death and other benefits	26	(12,500)	(10,300)	(12,548)	(5,630)	(9,528)
Increase in long-term insurance contract liabilities	26	(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	27	(5,616)	(7,206)	(8,410)	(3,925)	(3,998)
Other (expenses) / income	28	(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	29	(376)	(193)	(263)	(62)	(311)
Net profit before income tax		182	2,651	2,255	842	2,050
Income tax	20	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	30	649	2,660	2,249	577	1,775
- Non-controlling interests		2	1	1	—	—
Earnings per share (RMB)						
Basic and diluted	31	0.54	2.22	1.87	0.48	0.93

Consolidated Statements of Comprehensive Income (Continued)
(All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2010 (unaudited)	2011
Other comprehensive (losses) / 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 (losses) / income		(3,011)	198	80	(1,231)	(1,871)
Total comprehensive (losses) / income		(2,360)	2,859	2,330	(654)	(96)
Total comprehensive (losses) / income for the year / period attributable to:						
- Shareholders of the Company	30	(2,362)	2,858	2,329	(654)	(96)
- Non-controlling interests		2	1	1	—	—

Consolidated Statements of Changes in Equity
(All amounts in RMB millions unless otherwise stated)

	Attributable to shareholders of the Company					
	Share capital (Note 21)	Reserves (Note 22)	Retained earnings/ (Accumulated losses)	Total	Non-controlling Interests	Total Equity
For the year ended December 31, 2008						
As of January 1, 2008	1,200	3,768	(1,226)	3,742	6	3,748
Net profit for the year	—	—	649	649	2	651
Other comprehensive income	—	(3,011)	—	(3,011)	—	(3,011)
Total comprehensive income	—	(3,011)	649	(2,362)	2	(2,360)
As of December 31, 2008	1,200	757	(577)	1,380	8	1,388
For the year ended December 31, 2009						
As of January 1, 2009	1,200	757	(577)	1,380	8	1,388
Net profit for the year	—	—	2,660	2,660	1	2,661
Other comprehensive income	—	198	—	198	—	198
Total comprehensive income	—	198	2,660	2,858	1	2,859
Appropriation to reserves	—	408	(408)	—	—	—
Purchase of non-controlling interests	—	—	—	—	(4)	(4)
Total transactions with owners	—	408	(408)	—	(4)	(4)
As of December 31, 2009	1,200	1,363	1,675	4,238	5	4,243
For the year ended December 31, 2010						
As of January 1, 2010	1,200	1,363	1,675	4,238	5	4,243
Net profit for the year	—	—	2,249	2,249	1	2,250
Other comprehensive income	—	80	—	80	—	80
Total comprehensive income	—	80	2,249	2,329	1	2,330
Appropriation to reserves	—	446	(446)	—	—	—
Total transactions with owners	—	446	(446)	—	—	—
As of December 31, 2010	1,200	1,889	3,478	6,567	6	6,573
For the six months ended June 30, 2011						
As of January 1, 2011	1,200	1,889	3,478	6,567	6	6,573
Net profit for the period	—	—	1,775	1,775	—	1,775
Other comprehensive income	—	(1,871)	—	(1,871)	—	(1,871)
Total comprehensive income	—	(1,871)	1,775	(96)	—	(96)
Capital injection (Note 21)	1,400	12,600	—	14,000	—	14,000
Total transactions with owners	1,400	12,600	—	14,000	—	14,000
As of June 30, 2011	2,600	12,618	5,253	20,471	6	20,477

Consolidated Statements of Changes in Equity (Continued)
(All amounts in RMB millions unless otherwise stated)

	Attributable to shareholders of the Company					
	Share capital (Note 21)	Reserves (Note 22)	Retained earnings/ (Accumulated losses)	Total	Non-controlling Interests	Total Equity
For the six months ended June 30, 2010 (unaudited)						
As of January 1, 2010	1,200	1,363	1,675	4,238	5	4,243
Net profit for the period	—	—	577	577	—	577
Other comprehensive income	—	(1,231)	—	(1,231)	—	(1,231)
Total comprehensive income	—	(1,231)	577	(654)	—	(654)
As of June 30, 2010	1,200	132	2,252	3,584	5	3,589

Consolidated Statements of Cash Flows
(All amounts in RMB millions unless otherwise stated)

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	182	2,651	2,255	842	2,050
Adjustments for:					
Investment income	(1,589)	(8,362)	(10,521)	(4,114)	(6,813)
Finance cost	376	193	263	62	311
Net change in outstanding claims liabilities	(5)	32	110	15	26
Net change in unearned premium liabilities	53	72	128	165	193
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
Policy fees	(813)	(382)	(277)	(99)	(181)
Depreciation and amortization	171	196	257	120	137
Impairment losses on other receivables	—	287	(295)	(297)	(354)
Losses on disposal of property, plant and equipment	7	3	4	1	2
Changes in operational assets and liabilities:					
Receivables and payables	509	993	(317)	(845)	(1,606)
Investment contracts	5,891	(1,786)	(1,130)	(497)	(909)
Income tax paid	(25)	(58)	(16)	14	15
Net cash flows from operating activities	30,228	40,800	61,594	38,700	30,837
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales and maturities of securities investment					
Proceeds from sales of debt securities	11,276	10,177	12,758	9,640	6,315
Proceeds from maturities of debt securities	2,190	4,190	2,718	1,598	2,047
Proceeds from sales of equity securities	18,413	16,743	20,259	6,372	23,117
Purchases of securities investment					
Purchase of debt securities	(67,005)	(32,891)	(42,043)	(27,455)	(19,454)
Purchase of equity securities	(4,931)	(31,653)	(34,972)	(10,730)	(18,595)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	3	6	4	2	—
Purchase of property, plant and equipment, intangible assets and other assets	(688)	(534)	(421)	(121)	(162)
Interests received	3,441	5,210	6,217	2,700	4,436
Dividends received	5,226	380	763	485	676
Term deposits, net	(11,701)	2,847	(36,319)	(26,119)	(46,039)
Financial assets purchased under agreements to resell, net	2,029	(408)	(212)	(1,111)	190
Others	(56)	(160)	(474)	(144)	(573)
Net cash flows from investing activities	(41,803)	(26,093)	(71,722)	(44,883)	(48,042)

Consolidated Statements of Cash Flows (Continued)
(All amounts in RMB millions unless otherwise stated)

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issuance (Note 21)	—	—	14,026	—	—
Interests paid	(88)	(65)	(6)	(6)	—
Financial assets sold under agreements to repurchase, net	13,042	(8,554)	12,251	7,195	9,412
Repayment of borrowings	—	—	(1,350)	(1,350)	—
Net cash flows from financing activities	12,954	(8,619)	24,921	5,839	9,412
Effect of foreign exchange rate changes	(53)	(1)	(33)	—	(32)
Net increase / (decrease) in cash and cash equivalents	1,326	6,087	14,760	(344)	(7,825)
Cash and cash equivalents					
Beginning of the year / period	5,195	6,521	12,608	12,608	27,368
End of the year / period	6,521	12,608	27,368	12,264	19,543
Analysis of balance of cash and cash equivalents					
Cash at bank and in hand	5,790	12,608	26,752	11,640	17,871
Short-term bank deposits	731	—	616	624	1,672
Total of cash and cash equivalents	6,521	12,608	27,368	12,264	19,543

II Notes to the Financial Information
(All amounts in RMB million unless otherwise stated)

1 COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was incorporated as a joint stock limited company in September 1996 in Beijing, the People's Republic of China (the "PRC") with the authorization by the State Council and the approval by the People's Bank of China. The Company's initial registered capital on the date of incorporation was Renminbi ("RMB") 500 million. The registered capital was increased to RMB 1.2 billion in December 2000 and increased to RMB 2.6 billion in March 2011 with the approval by the China Insurance Regulatory Commission (the "CIRC"). The address of the Company's registered office is No.1 East Hunan Road, Yanqing County, Beijing, the PRC.

The Company's principal activities include underwriting life insurance policies denominated in both RMB and foreign currencies, including life, health and accident insurance products; acting as agent for domestic and international insurance companies; providing insurance related consulting services; and conducting capital management operations in accordance with relevant laws and regulations.

As of the date of this report, the Company has direct equity interests in the following subsidiaries: New China Asset Management Co., Ltd. ("New China Asset Management"), Yunnan New China Insurance Agency Co., Ltd ("Yunnan New China"), Chongqing New China Insurance Agency Co., Ltd ("Chongqing New China") and New China Xiadu Technology Training (Beijing) Co., Ltd ("New China Xiadu") (Note 36). The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation

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

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.

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

The Group has not applied the following key new and revised IFRSs that have been issued but are not yet effective and have not been early adopted in the Financial Information:

Standard / Amendment	Content	Applicable for financial years beginning on / after
Amendment to IFRS 7	Financial instruments: Disclosures	July 1, 2011
Amendment to IAS 1	Financial statement presentation	July 1, 2012
Amendment to IAS 12	Income tax	January 1, 2012
Amendment to IAS 19	Employee benefits	January 1, 2013
IFRS 9	Financial instruments	January 1, 2013
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 27 (Revised 2011)	Separate financial statements	January 1, 2013
IAS 28 (Revised 2011)	Investments in associates and joint ventures	January 1, 2013

- IFRS 7 (Amendment), "Financial instruments: Disclosures". The amendment was issued as part of its comprehensive review of off balance sheet activities. The amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The amendment will be effective for annual periods beginning on or after July 1, 2011.

- IAS 1 (Amendment), "Financial statement presentation". The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendment will be effective for annual periods beginning on or after July 1, 2012.

- IAS 12 (Amendment), "Income taxes". Currently IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, SIC 21, "Income taxes — recovery of revalue non-depreciable assets", would no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The effective date for the amendment is annual periods on or after January 1, 2012.

- IAS 19 (Amendment), "Employee benefits". This amendment eliminates the corridor approach and calculates finance costs on a net funding basis. The effective date for the amendment is annual periods on or after January 1, 2013.

- IFRS 9 and IFRS 9 (Amendment), "Financial instruments". Issued in November 2009 and October 2010, respectively. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 and IFRS 9 (Amendment) introduce new requirements for classifying, measuring and derecognizing financial assets and financial liabilities and are likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

- IFRS 10, "Consolidated financial statements". This standard was issued in May 2011, and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation — Special Purpose Entities" and will be effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 11, "Joint arrangements". Issued in May 2011, this new standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities — Non-Monetary Contributions by Ventures" and will be effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 12, "Disclosure of Interests in Other Entities". This IFRS applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It requires an entity to disclose information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. The standard will be effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRS 13, "Fair Value Measurement". IFRS 13 defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. The guidance in IFRS 13 does not apply to transactions within the scope of IFRS 2, "Share-based payment", or IAS 17, "Leases", or to certain other measurements that are required by other standards and are similar to, but are not, fair value. The IFRS is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

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

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

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

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of the Financial Information is set out below.

(2) Consolidation

(a) Subsidiary

Subsidiaries are all entities (including special purpose entities) over which the Group has effective control, i.e. the Group has the power to govern the financial and operating policies or control more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

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

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

Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated on consolidation unless they indicate impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

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

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

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

The investment in associates is stated at cost less impairment in the Company only statement of financial position. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(3) Segment reporting

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

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

(4) Foreign currency translation

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

(5) Property, plant and equipment

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

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

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

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

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

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

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

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

(6) Investment properties

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

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

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

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

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

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

(7) Intangible assets

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

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

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

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

Impairment testing of the investments in subsidiaries and associates is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the investee concerned in the period the dividend is declared, or if the carrying amount of the relevant investment in the Company's statement of financial position exceeds the carrying amount in the consolidated statement of financial position of the investee's net assets including goodwill.

(9) Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: held-to-maturity securities, securities at fair value through income, available-for-sale securities and loans and receivables. Management determines the classification of its 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 the Group intends to sell in the short term or those that are available for sale. Loans and receivables mainly comprise term deposits, statutory deposits, policy loans, financial assets purchased under agreements to resell, and accrued investment income as presented in the statement of consolidated financial position.

(i) Held-to-maturity securities

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

(ii) Securities at fair value through income

Securities at fair value through income include financial assets held for trading and those designated at fair value through income at inception. A financial asset is classified as held for trading at inception if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking. Other financial assets may be designated at fair value through income at inception by the Group.

(iii) Available-for-sale securities

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

(b) Recognition and measurement

Purchases and sales of financial assets are recognized on trade date, when the Group commits to purchase or sell assets. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through income, transaction costs that are directly attributable to their acquisition. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

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

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

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

(c) Term deposits

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

(d) Policy loans

Policy loans are carried at amortized cost less impairment.

(e) Financial assets purchased under agreements to resell

Financial assets purchased under agreements to resell are funds advanced through purchasing financial assets such as notes, securities, loans, etc., under agreements to resell at predetermined prices. These agreements are carried at amortized cost, i.e. their cost plus accrued interest at the date of the consolidated statement of financial position.

(f) Offsetting financial instruments

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

(g) Impairment of financial assets other than securities at fair value through income

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

When the decline in value is considered impairment, held-to-maturity debt securities or loans and receivables are written down to their present value of estimated future cash flows discounted at the effective interest rates; available-for-sale debt securities and equity securities are written down to their fair value, and the change is 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 instruments are not reversed through the net profit.

(10) Cash and cash equivalents

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

(11) Insurance contracts and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment 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 ("DPF"). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

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

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

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

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 and morbidity risk.

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

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

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

Various assumptions for the estimates will be reviewed at the end of each reporting period and any changes will be recognized in the net profit.

On each reporting date, the Company reviews the assumptions for reasonable estimates of liabilities and risk margins, with consideration of all available information, and taking into account the Company's historical experience and expectation of future events. Changes in assumptions are recognized in net profit. Assumptions for the residual margin are locked in at policy issuance date and are not adjusted subsequently.

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

Margin comprises 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, the Group does not recognize "Day-one" gain in income statement, but included in the insurance contract liabilities as a residual margin, whereas on the other hand, "Day-one" loss is recognized as incurred. The subsequent measurement of the 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 the residual margin.

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

Universal life contracts and unit-linked contracts

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

- Insurance components

- Non-insurance components

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

(ii) Liability adequacy test

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

(iii) Reinsurance contracts held

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

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

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

(c) Investment contracts

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

Except for unit-linked contracts, of which the liabilities are carried at fair value, the liabilities of investment contracts are carried at amortized cost.

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

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

(12) Financial liabilities

Financial liabilities consist of financial liabilities at fair value through income and other financial liabilities. Other financial liabilities of the Group mainly include financial assets sold under agreements to repurchase, liabilities of investment contracts and borrowings.

(a) Financial assets sold under agreements to repurchase

Financial assets sold under agreements to repurchase are funds financed through sale of notes, securities, loans, etc. under agreements to repurchase at predetermined prices, which are carried at amortized cost, i.e. their cost plus accrued interest at the balance sheet date.

(b) Liabilities of investment contracts

The liabilities with investment nature in investment contracts are recorded as liabilities of investment contracts. Liabilities related to investment component unbundled from unit-linked insurance contracts are recorded at fair value initially. Unit-linked contracts are measured at fair value by reference to the value of the underlying asset value on each balance sheet date. Transaction expenses are recorded in the current period profit or loss. Liabilities related to investment component of other investment contracts are recorded at fair value initially and carried at amortized cost subsequently.

(c) Borrowings

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

When present obligation of financial liabilities has been fully or partially released, financial liabilities are fully or partially derecognized accordingly. The difference between carrying value derecognized and consideration paid is recorded in profit or loss.

(13) Derivative instruments

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

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

(14) Employee benefits

Employee benefits represent salary, bonuses, social insurance and other related expenditure incurred by the Group in exchange for service rendered by employees. Employee benefits are recognized over the period when service is being rendered and recorded as cost or expense depending on the beneficial entities.

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

In addition to the above social security plans, the Company also provides supplementary pension plan for certain qualified employees. Employees' and employers' contributions are calculated based on certain percentage of employees' salaries and recognized in profit or loss as cost or expense according to the vesting policy. This supplementary pension plan is a defined contribution plan.

The Company provided pension scheme for certain qualified employees from November 28, 2008 to July 27, 2010. This pension scheme provided monthly pension and medical care subsidy to qualified employees upon their retirement. The amount of the subsidy was determined according to the employees' service period and related policies. Such pension scheme is considered as defined benefit plan. The liabilities recognized in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation was calculated annually by the Company's actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds whose maturities approximate to the terms of the related pension liabilities. On July 27, 2010, the Board of Directors reached the resolution to cancel this defined benefit plan (Note 19).

(15) Share capital

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

(16) Revenue recognition

(a) Premium and policy fee

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

(b) Investment income

Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt 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 realized gains or losses on securities at fair value through income and available-for-sale securities less impairment loss or plus reversed impairment loss. 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.

(17) Commission and brokerage expenses

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

(18) Income tax

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

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

Deferred income tax is recognized, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Substantively enacted tax rates are used in the determination of deferred income tax.

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

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

(19) Government grants

The Company records monetary grants by government in the profit and loss in the period the grants are received when there is no condition attached and there is no other basis existed for allocating a grant to periods.

(20) Operating leases

Leases of assets where all the risks and rewards incidental to ownership of the assets are in substance retained by the lessors are classified as operating leases. Payments made under operating leases are capitalized as the related assets' cost or expensed on a straight-line basis over the period of the lease.

(21) Provisions

Provisions are recognized when there is a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Future operating losses should not be recognized as provisions. The initial measurement of provisions is based on the best estimate to the outflow of present obligation by considering relevant risks, uncertainty and time value of money, etc. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense. The Group reviews the carrying amount of provisions on each balance sheet date and makes appropriate adjustments in order to reflect the current best estimate.

(22) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized in the statement of financial position but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably measured, it will then be recognized as a provision.

(23) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all diluted potential ordinary shares. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions made by the Group during the preparation of the Financial Information would affect the reported amounts and disclosures of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences.

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognized in the Financial Information as insurance contract benefits and insurance contract liabilities.

The various assumptions are described in Note 14.

(2) Investments

The Group's principal investments are debt securities, equity securities, term deposits and loans. The critical estimates and judgments are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the amount at which the financial assets and liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, rather than in a forced or liquidation sale. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either price observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market.

- Equity securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using appropriate price earnings ratio or modified price / cash flow ratio reflecting the specific circumstances of the issuer. Equity securities, whose fair value cannot be reliably measured because the investee's business was at the early developing stage, are recognized at cost less impairment.

- Term deposits (excluding structured deposits), financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans and borrowings: carrying amounts approximate fair values.

- Structured deposits: The market for structured deposits is not active and the Group establishes fair value by using discounted cash flow analysis and option pricing models as the valuation technique. The Group uses the US dollar swap rate as the benchmark to determine the fair value of structured deposits.

- Investment contracts: The fair value of investment contracts are determined using valuation techniques, with consideration of the present value of expected cash flows arising from contracts using a risk-adjusted discount rate, allowing for risk free rate available on valuation date, the Company's own credit risk and risk margin associated with the future cash flows.

- Other assets: The fair value of other assets, including investment clearing account and litigation deposit, approximates its carrying amount.

The Group considers a wide range of factors in the impairment assessment as described in Note 2(9)(g).

The table below presents the carrying value and estimated fair value of main financial assets and liabilities.

Carrying amount	As of December 31,			As of June 30,
	2008	2009	2010	2011
Financial assets				
Debt securities	120,511	138,169	164,726	174,879
Equity securities (Note a)	4,330	23,066	38,874	30,843
Term deposits (excluding structured deposits)	21,038	18,891	55,210	101,002
Structured deposits	700	—	—	—
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
Cash and cash equivalents	6,521	12,608	27,368	19,543
Total financial assets	155,752	196,747	292,866	334,574
Financial liabilities				
Unit-linked contracts	256	381	374	346
Investment contracts excluding unit-linked contracts	21,402	20,162	19,538	18,768
Borrowings	1,350	1,350	—	—
Financial assets sold under agreements to purchase	20,669	12,248	24,712	33,645
Total financial liabilities	43,677	34,141	44,624	52,759

Fair value	As of December 31,			As of June 30,
	2008	2009	2010	2011
Financial assets				
Debt securities	124,583	135,695	161,922	168,819
Equity securities (Note a)	4,330	23,066	38,874	30,843
Term deposits (excluding structured deposits)	21,038	18,891	55,210	101,002
Structured deposits	714	—	—	—
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
Cash and cash equivalents	6,521	12,608	27,368	19,543
Total financial assets	159,838	194,273	290,062	328,514
Financial liabilities				
Unit-linked contracts	256	381	374	346
Investment contracts excluding unit-linked contracts	20,766	19,911	17,756	15,516
Borrowings	1,350	1,350	—	—
Financial assets sold under agreements to purchase	20,669	12,248	24,712	33,645
Total financial liabilities	43,041	33,890	42,842	49,507

(a) As of December 31, 2008 and 2009, equity securities exclude investments, for which fair values cannot be measured reliably and which are recognized at cost less impairment, amounted to RMB 300 million.

(3) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Misconducts, defrauded funds by some of the Company's former employees (Note 13(3) and Note 19), and pending lawsuits and disputes (Note 18). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advices. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because these contingency events develop over time, provisions recognized currently may be significantly different from amounts actually paid.

(4) Former Chairman Misconducts

The Company's Former Chairman in tenure from 1998 to 2006 (the "Former Chairman", who resigned in December 2006) was involved in misconducts including misuse of insurance assets, etc. (the "Former Chairman misconducts"), and he has been under investigations by the government and brought against litigation. The results of the investigations and litigation and the Company's subsequent actions may impact the Company's financial results. The consolidated financial information is prepared based on all information available to and the best estimates made by the Company's management, as well as the following significant assumptions and assessments.

The Former Chairman pledged the Company's bonds and conducted repurchase transactions which were not authorized by the Company ("Off-balance sheet repurchase transactions") through bank accounts not reflected in the Company's financial records ("Off-balance sheet accounts"). Funds received through these Off-balance sheet repurchase transactions were transmitted to the Former Chairman for his unauthorized lendings. The Company was informed of these Off-balance sheet repurchase transactions after the CIRC's investigation and paid cash to settle these transactions and their related interest expense with a total amount of RMB 2,910 million.

The Company received RMB 1,455 million from Insurance Security Fund in 2007. Based on the instruction from Insurance Security Fund, the amount related to the transfer of equity interest in the Company from certain former shareholders of the Company to Insurance Security Fund was paid to the Company for settling the amounts due from the former shareholders and their related parties' liabilities.

The Company does not have complete information regarding these Off-balance sheet repurchase transactions or cash flows to or from those Off-balance sheet accounts. The Company is not able to assess the nature of these transactions or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company tentatively netted funds received and paid described above and recorded a net amount of RMB 1,455 million as other receivable. The Company's management anticipated major uncertainty in recovering this balance and recognized a full provision.

The Company has been in the process of recovering the amount through legal actions. In March 2011, the Company received approximately RMB 354 million from New Industry Investment Co., Ltd, ("New Industry"). The Company considered the recovery was part of the other receivable of RMB 1,455 million as discussed above. Therefore, the Company reversed RMB 354 million of provision of impairment through Other expenses accordingly (Note 28).

(5) Taxation

The Group pays business tax, income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimate of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amount, the difference will impact current tax and deferred tax.

(6) 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 assumption. These assumptions are determined by the Group on basis of information obtained on the date of financial position. The Group redefined these assumptions as of December 31, 2008, 2009, 2010, and June 30, 2011, respectively, and the effects of change in these assumptions are recorded in statement of comprehensive income of each period and disclosed in Note 14(4).

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

(1) Insurance risk

(a) Types of insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long term life insurance, critical illness insurance, annuity, accident and short term health insurance products. Social and economy development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence to the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover almost all products. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfill their responsibilities.

(b) Concentration of insurance risk

Currently the Group's businesses are all from the PRC and insurance risk at each area has insignificant differences. Major products of long-term insurance contracts are listed below:

	As of / for the year ended December 31, 2008					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
i Hongshuangxi Type A endowment insurance (Participating)	37,545	32.18%	2,620	5.75%	2,672	21.36%
ii Hongshuangxi New Type C endowment insurance (Participating)	5,058	4.34%	6,243	13.70%	20	0.16%
iii Hongshuangxi New Type A endowment insurance (Participating)	20,971	17.98%	21,172	46.48%	214	1.71%
iv Hongshuangxi Type D endowment insurance (Participating)	11,756	10.08%	—	—	6,848	54.74%
v Furudonghai Type A whole life insurance (Participating)	3,162	2.71%	2,533	5.56%	78	0.62%
Others	38,167	32.71%	12,987	28.51%	2,678	21.41%
Total	116,659	100.00%	45,555	100.00%	12,510	100.00%

	As of / for the year ended December 31, 2009					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
i Hongshuangxi Type A endowment insurance (Participating)	45,811	28.07%	10,472	16.41%	3,142	30.45%
ii Hongshuangxi New Type C endowment insurance (Participating)	17,927	10.98%	15,152	23.74%	168	1.63%
iii Hongshuangxi New Type A endowment insurance (Participating)	31,265	19.15%	10,429	16.34%	724	7.02%
iv Hongshuangxi Type D endowment insurance (Participating)	11,746	7.20%	3,650	5.72%	3,938	38.17%
v Furudonghai Type A whole life insurance (Participating)	5,125	3.14%	2,570	4.03%	117	1.13%
Others	51,352	31.46%	21,554	33.76%	2,228	21.60%
Total	163,226	100.00%	63,827	100.00%	10,317	100.00%

Product Name	As of / for the year ended December 31, 2010 — Liabilities for long-term insurance contracts: Amount	% of total	Gross written premiums: Amount	% of total	Gross benefit payments: Amount	% of total
i Hongshuangxi Type A endowment insurance (Participating)	54,135	23.15%	11,377	12.62%	4,049	32.22%
ii Hongshuangxi New Type C endowment insurance (Participating)	38,529	16.48%	23,165	25.70%	529	4.21%
iii Hongshuangxi New Type A endowment insurance (Participating)	33,174	14.19%	2,426	2.69%	1,682	13.39%
iv Hongshuangxi Type D endowment insurance (Participating)	13,699	5.86%	5,368	5.95%	3,554	28.28%
v Furudonghai Type A whole life insurance (Participating)	7,671	3.28%	2,606	2.89%	128	1.02%
Others	86,613	37.04%	45,203	50.15%	2,623	20.88%
Total	233,821	100.00%	90,145	100.00%	12,565	100.00%

Product Name	As of / for the six months ended June 30, 2011 — Liabilities for long-term insurance contracts: Amount	% of total	Gross written premiums: Amount	% of total	Gross benefit payments: Amount	% of total
i Hongshuangxi Type A endowment insurance (Participating)	55,247	20.63%	4,161	8.39%	2,925	30.66%
ii Hongshuangxi New Type C endowment insurance (Participating)	50,534	18.87%	13,668	27.54%	677	7.10%
iii Hongshuangxi New Type A endowment insurance (Participating)	32,383	12.09%	665	1.34%	1,541	16.15%
iv Hongshuangxi Type D endowment insurance (Participating)	13,108	4.89%	1,555	3.13%	2,099	22.00%
v Furudonghai Type A whole life insurance (Participating)	8,670	3.24%	1,247	2.51%	66	0.69%
Others	107,911	40.28%	28,328	57.09%	2,232	23.40%
Total	267,853	100.00%	49,624	100.00%	9,540	100.00%

(i) Hongshuangxi Type A endowment insurance (Participating)

Hongshuangxi Type A endowment insurance (Participating) is participating endowment insurance with single premium payment. There are four types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year or death due to accident, benefit is total of basic sum insured and dividend accumulation.

(ii) Hongshuangxi New Type C endowment insurance (Participating)

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with three or five year premium installment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are total of basic sum insured and dividend accumulation. For death due to illness within the 1st year, premium (interest excluded) is refunded; for death due to illness after the 1st year, benefit is calculated based on the following formula: death benefit = effective sum insured × effective policy years / duration of insurance; for death due to illness after payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to accident before payment period, benefit is calculated based on the following formula: 2×death benefit = effective sum insured×effective policy years / duration of insurance; for death due to accident after payment period, benefit is the total of basic sum insured and dividend accumulation.

(iii) Hongshuangxi New Type A endowment insurance (Participating)

Hongshuangxi New Type A endowment insurance (Participating) is participating endowment insurance with single premium payment with a duration of 10 years. Payments on maturity are total of sum insured and dividend accumulation. For death due to illness within the 1st year, benefit equals to premium (interest excluded); for death due to illness after the 1st year, benefit is total of basic sum insured and dividend accumulation; for death due to accident, benefit are paid at 200% the total of basic sum insured and dividend accumulation.

(iv) Hongshuangxi Type D endowment insurance (Participating)

Hongshuangxi Type D endowment insurance (Participating) is participating endowment insurance with single premium payment. The duration of the policy is 5 years, and the renewal period is 3 years. Maturity benefit and death benefits are the same as Hongshuangxi endowment insurance Type A (Participating).

(v) Furudonghai Type A whole life insurance (Participating)

Furudonghai Type A whole life insurance (Participating) is participating whole life insurance, annual premium. For death due to illness or total disability within 1st year, premium and 10% of basic sum insured is paid; for death due to illness or total disability after 1st year or death due to accident, total of basic sum insured and dividend accumulation are paid.

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

Liabilities for life and long-term health insurance contracts are calculated based on significant assumptions including discount rate, mortality rate, morbidity rate, lapse rate, expense assumption, etc. The analysis below is performed to demonstrate the reasonably possible movements in key assumptions with all other assumptions held constant, showing increase / (decrease) on pre-tax profit.

Change in discount rates	**For the year ended December 31,**			**For the six months ended June 30,**
	2008	**2009**	**2010**	**2011**
+50 basis points ("bps")	3,006	4,117	5,408	6,023
-50bps	(3,515)	(4,660)	(5,946)	(6,575)

Change in mortality and morbidity rates	**For the year ended December 31,**			**For the six months ended June 30,**
	2008	**2009**	**2010**	**2011**
+10%	(512)	(773)	(882)	(994)
-10%	419	621	904	1,138

Change in lapse rates	**For the year ended December 31,**			**For the six months ended June 30,**
	2008	**2009**	**2010**	**2011**
+10%	(856)	(1,100)	(1,342)	(1,398)
-10%	756	980	1,352	1,551

Change in expense assumption	**For the year ended December 31,**			**For the six months ended June 30,**
	2008	**2009**	**2010**	**2011**
+10%	(672)	(925)	(813)	(771)
-10%	441	668	734	843

Key assumptions are disclosed in Note 14.

(ii) Sensitivity analysis of short-term insurance contracts

The change of claim amount for short-term insurance contracts may cause the change of loss ratio assumptions and in turn affect insurance contract liabilities.

All other variables being constant, if the loss ratio increases or decreases 100bp, estimated pre-tax profit will decrease or increase by RMB 2 million, RMB 2 million, RMB 8 million, RMB 10 million for the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011, respectively.

Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

(d) Claims development analysis of short-term insurance contracts

Claims development of the Group's non-life insurance contracts gross of reinsurance is as follows:

	Accident year / period						
Cumulative claims	**2006**	**2007**	**2008**	**2009**	**2010**	**June 30, 2011**	**Total**
End of current year	234	321	370	472	766	398	
1 year later	361	370	431	483	769		
2 years later	331	359	426	484			
3 years later	331	359	426				
4 years later	331	359					
Estimated claims expenses	331	359	426	484	769	398	2,767
Less: cumulative claims paid	(331)	(359)	(426)	(483)	(695)	(186)	(2,480)
Add: claims handling expenses	—	—	—	—	4	10	14
Unpaid claims expenses	—	—	—	1	78	222	301

Claims development of the Group's non-life insurance business net of reinsurance is as follows:

	Accident year / period						
Cumulative claims	**2006**	**2007**	**2008**	**2009**	**2010**	**June 30, 2011**	**Total**
End of current year	218	280	339	434	711	379	
1 year later	316	313	385	436	707		
2 years later	285	300	378	431			
3 years later	285	300	378				
4 years later	285	300					
Estimated claims expenses	285	300	378	431	707	379	2,480
Less: cumulative claims paid	(285)	(300)	(378)	(430)	(644)	(176)	(2,213)
Add: claims handling expenses	—	—	—	—	4	10	14
Unpaid claims expenses	—	—	—	1	67	213	281

(e) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities and the techniques used include: scenario analysis method, cash flow matching method and immunity method etc. The Group uses scenario analysis, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated debts, arranging reinsurance, improving the performance of branches, optimizing business structure, establishing competitive cost structure etc.

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department and asset-liability management department are in close cooperation to identify, evaluate and manage financial risks.

The Group manages financial risks by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 10.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, changes in interest rate and fair values).

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets are principally comprised of term deposits and debt securities. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The analysis below is performed to show the reasonably possible movements in market interest rates by 50bps with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

Change in market interest rates	Impact on pre-tax profit			
	For the year ended December 31,			For the six months ended June 30,
	2008	2009	2010	2011
+50bps	(57)	(0.04)	(43)	(43)
-50bps	57	0.04	44	45

Change in market interest rates	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
+50bps	(528)	(388)	(367)	(422)
-50bps	528	409	382	439

(ii) Price risk

Price risk arises mainly from the price volatility of equity securities held by the Group. Prices of equity securities are determined by market forces. Most of the equity securities of the Group are in Chinese capital markets. The Group is subject to increased market risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

The analysis below is performed to show the impacts of changes in the Group's equity securities' prices by 10% with all other variables held constant, net of portion attributable to policyholders of participating and unit-linked products.

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

Change in equity securities' prices	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
+10%	94	775	1,405	1,080
-10%	(94)	(775)	(1,405)	(1,080)

(iii) Currency risk

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group has bank deposits, debt securities and equity securities denominated in US dollar ("USD") or Hong Kong dollar ("HK dollar" or "HKD").

The following table summarizes financial assets denominated in currencies other than RMB, expressed in RMB equivalent:

December 31, 2008	USD	HKD	Total
Cash and cash equivalents	21	91	112
Term deposits	534	197	731
Accrued investment income	6	1	7
Total	561	289	850

December 31, 2009	USD	HKD	Total
Cash and cash equivalents	7	—	7
Term deposits	559	62	621
Accrued investment income	1	—	1
Total	567	62	629

December 31, 2010	USD	HKD	Total
Cash and cash equivalents	3,477	—	3,477
Term deposits	555	61	616
Accrued investment income	—	—	—
Total	4,032	61	4,093

June 30, 2011	USD	HKD	Total
Cash and cash equivalents	1,619	61	1,680
Term deposits	1,950	—	1,950
Accrued investment income	22	—	22
Total	3,591	61	3,652

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity securities, mainly expose themselves to price risk. Considering HK dollar exchange rate is pegged to USD exchange rate, the Group decided to merge the USD assets with the Hong Kong dollar assets and conduct the exchange risk analysis.

If RMB had strengthened or weakened by 10% against USD and HK dollar with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, pre-tax profit would have been decreased or increased by RMB 85 million, RMB 63 million, RMB 409 million, RMB 365 million for the years ended December 31, 2008, 2009 and 2010, and for the six months ended June 30, 2011, respectively, mainly as a result of foreign exchange losses or gains from the translation of USD and HK dollar denominated financial assets other than equity securities.

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In term of investment vehicles, a significant portion of the portfolio of the Group is in government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned or other national commercial banks. Therefore the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account of any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt securities of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders.

Credit Quality

The Group's debt securities include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds and subordinated bonds / debts. The bond / debt's credit rating is assessed by qualified rating agencies in the PRC at the time of its issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The Group's majority reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. As a result, the Group concludes credit risk associated with debt securities, term deposits and accrued interest income thereof, statutory deposits, cash equivalents and reinsurance assets will not have a material impact on the Financial Information.

Proportion	As of December 31,			As of June 30,
	2008	2009	2010	2011
Financial institution bonds having credit rating of AA / A-2 or above	100%	100%	100%	100%
Corporate bonds having credit rating of AA/A-2 or above held by the Group	100%	100%	100%	100%
Subordinated bonds / debts having credit rating of AA / A-2 or above, or issued by national banking or insurance companies	99.18%	99.18%	99.18%	98.59%
Bank deposits with the four largest state-owned commercial banks and other national commercial banks in the PRC	90.86%	96.88%	94.68%	95.75%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated statement of financial position taking into consideration of their collateral held and maturity that is within 1 year as of December 31, 2008, 2009 and 2010, and June 30, 2011, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liabilities management to reduce liquidity risk (Note 4(1)(e)).

The following tables set forth the contractual or expected undiscounted cash flows for major financial assets, insurance assets and insurance liabilities, as well as the contractual undiscounted cash flows for major financial liabilities:

As of December 31, 2008			Contractual or expected cash flows (undiscounted)			
	Carrying amount	No Stated maturity	Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	120,511	—	6,173	19,317	22,451	125,012
Equity securities	4,630	4,630	—	—	—	—
Term deposits	21,738	—	4,704	9,786	9,949	—
Statutory deposits	242	—	2	249	—	—
Policy loans	186	—	186	—	—	—
Accrued investment income	2,224	—	1,995	150	79	—
Premium receivables	553	—	553	—	—	—
Reinsurance assets	4,611	—	396	695	1,350	3,519
Cash and cash equivalents	6,521	—	6,524	—	—	—
Total Financial and insurance assets	161,216	4,630	20,533	30,197	33,829	128,531
Financial and insurance liabilities						
Long-term insurance contracts	(116,659)	—	4,410	9,930	93	(418,668)
Short-term insurance contracts	(466)	—	(301)	—	—	—
Investment contracts	(21,658)	—	(1,888)	(2,466)	(2,293)	(44,881)
Borrowings	(1,350)	—	(65)	(1,355)	—	—
Financial assets sold under agreements to repurchase	(20,669)	—	(20,669)	—	—	—
Benefits, claims and surrenders payable	(214)	—	(214)	—	—	—
Reinsurance liabilities	(28)	—	(28)	—	—	—
Total financial and insurance liabilities	(161,044)	—	(18,755)	6,109	(2,200)	(463,549)

As of December 31, 2009	Carrying amount	No Stated maturity	Contractual or expected cash flows (undiscounted) Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	138,169	—	6,488	20,155	35,108	138,583
Equity securities	23,366	23,366	—	—	—	—
Term deposits	18,891	—	4,064	6,830	9,590	626
Statutory deposits	242	—	242	1	—	—
Policy loans	346	—	346	—	—	—
Financial assets purchased under agreements to resell	411	—	411	—	—	—
Accrued investment income	3,014	—	2,172	356	486	—
Premium receivables	744	—	744	—	—	—
Reinsurance assets	4,553	—	387	1,554	197	3,596
Cash and cash equivalents	12,608	—	12,608	—	—	—
Total Financial and insurance assets	202,344	23,366	27,462	28,896	45,381	142,805
Financial and insurance liabilities						
Long-term insurance contracts	(163,226)	—	16,765	26,657	(3,745)	(563,782)
Short-term insurance contracts	(589)	—	(381)	—	—	—
Investment contracts	(20,543)	—	(383)	(1,260)	(3,010)	(53,387)
Borrowings	(1,350)	—	(1,355)	—	—	—
Financial assets sold under agreements to repurchase	(12,248)	—	(12,252)	—	—	—
Benefits, claims and surrenders payable	(277)	—	(277)	—	—	—
Reinsurance liabilities	(64)	—	(64)	—	—	—
Total financial and insurance liabilities	(198,297)	—	2,053	25,397	(6,755)	(617,169)

As of December 31, 2010	Carrying amount	No Stated maturity	Contractual or expected cash flows (undiscounted) Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	164,726	—	11,044	27,320	28,899	175,984
Equity securities	38,874	38,874	—	—	—	—
Term deposits	55,210	—	7,807	14,322	42,623	—
Statutory deposits	242	—	242	1	—	—
Policy loans	820	—	820	—	—	—
Financial assets purchased under agreements to resell	640	—	640	—	—	—
Accrued investment income	4,986	—	4,062	924	—	—
Premium receivables	979	—	979	—	—	—
Reinsurance assets	4,535	—	566	1,358	185	3,442
Cash and cash equivalents	27,368	—	27,369	—	—	—
Total Financial and insurance assets	298,380	38,874	53,529	43,925	71,707	179,426
Financial and insurance liabilities						
Long-term insurance contracts	(233,821)	—	32,619	46,229	(17,251)	(715,541)
Short-term insurance contracts	(804)	—	(517)	—	—	—
Investment contracts	(19,912)	—	(164)	(1,712)	(3,464)	(47,894)
Financial assets sold under agreements to repurchase	(24,712)	—	(24,773)	—	—	—
Benefits, claims and surrenders payable	(349)	—	(349)	—	—	—
Reinsurance liabilities	(48)	—	(48)	—	—	—
Total financial and insurance liabilities	(279,646)	—	6,768	44,517	(20,715)	(763,435)

The above table does not include RMB14 billion of Advance for capital injection in other liabilities which was transferred to equity account in March 2011 (Note 21).

As of June 30, 2011	Carrying amount	No Stated maturity	Contractual or expected cash flows (undiscounted) Within 1 year (including 1 year)	1-3 years (including 3 year)	3-5 years (including 5 year)	Over 5 years
Financial and insurance assets						
Debt securities	174,879	—	11,314	33,634	32,912	180,127
Equity securities	30,843	30,843	—	—	—	—
Term deposits	101,002	—	10,461	19,106	90,868	1,005
Statutory deposits	522	—	299	26	267	—
Policy loans	1,393	—	1,393	—	—	—
Financial assets purchased under agreements to resell	445	—	448	—	—	—
Accrued investment income	5,947	—	4,787	1,151	11	—
Premium receivables	1,980	—	1,980	—	—	—
Reinsurance assets	4,702	—	1,359	799	1,049	2,397
Cash and cash equivalents	19,543	—	19,563	—	—	—
Total Financial and insurance assets	341,256	30,843	51,604	54,716	125,107	183,529
Financial and insurance liabilities						
Long-term insurance contracts	(267,853)	—	37,768	46,396	(29,878)	(789,915)
Short-term insurance contracts	(1,038)	—	(682)	—	—	—
Investment contracts	(19,114)	—	(119)	(2,362)	(3,033)	(45,434)
Financial assets sold under agreements to repurchase	(33,645)	—	(33,709)	—	—	—
Benefits, claims and surrenders payable	(412)	—	(412)	—	—	—
Reinsurance liabilities	(99)	—	(99)	—	—	—
Total financial and insurance liabilities	(322,161)	—	2,747	44,034	(32,911)	(835,349)

The amounts set forth in the tables above for financial assets, borrowings, financial assets sold under agreements to repurchase, and benefits claims and surrenders payable are undiscounted contractual cash flows. The amounts for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflow from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, lapse rate, policy return ratio, loss ratio, expenses assumption and other assumptions. Actual experience may differ from estimates.

The Group prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflows of RMB 18,848 million for the six months ended June 30, 2011 (2008: RMB 21,393 million; 2009: RMB 20,262 million; 2010: RMB 19,632 million), payable within one year. Although contractually these options can be exercised immediately by all policyholders at once, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations.

(d) Capital management

The Group's objectives when managing capital, which is actual capital, calculated as the difference between admitted assets (as defined by the CIRC) and the admitted liabilities (as defined by the CIRC), are to comply with the insurance capital requirements by the CIRC to meet the minimum capital and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company managed its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Group continuously and proactively monitor the business mix, the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

The table below summarizes the solvency ratio of the Company, the actual capital held against the minimum required capital:

	As of December 31, 2008	2009	2010	As of June 30, 2011
Actual capital	1,802	3,265	4,402	15,225
Minimum capital	6,496	9,024	12,583	14,354
Solvency margin ratio	27.74%	36.19%	34.99%	106.07%

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with solvency margin ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with solvency margin ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate. And insurance companies with solvency margin ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

(3) Fair value hierarchy

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation technique using significant inputs, other than Level 1 quoted price, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt securities for which quotations are available from pricing service providers. Fair value provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, and as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Under certain conditions, the Group may not received price from independent third party pricing services. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

As of December 31, 2008, 2009 and 2010, and June 30, 2011, the Group has no financial assets measured at fair value on a recurring basis and classified as Level 3.

As of December 31, 2008	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale securities				
- Equity securities[(a)]	2,517	—	—	2,517
- Debt securities	1,546	32,917	—	34,463
Securities at fair value through income				
- Equity securities	1,663	150	—	1,813
- Debt securities	1,248	4,225	—	5,473
Total assets	6,974	37,292	—	44,266
Liabilities				
Unit-linked contracts	—	256	—	256
Total Liabilities	—	256	—	256

As of December 31, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale securities				
- Equity securities[(a)]	17,670	1,229	—	18,899
- Debt securities	790	29,717	—	30,507
Securities at fair value through income				
- Equity securities	4,122	45	—	4,167
- Debt securities	1	—	—	1
Total assets	22,583	30,991	—	53,574
Liabilities				
Unit-linked contracts	—	381	—	381
Total Liabilities	—	381	—	381

(a) As of December 31, 2008 and 2009, equity securities exclude investments, for which fair values cannot be measured reliably and which are recognized at cost less impairment, amounted to RMB 300 million. Such investments were accounted for as Investment in associates as of December 31, 2010 and June 30, 2011.

As of December 31, 2010	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
- Equity securities	33,513	3,057	—	36,570
- Debt securities	1,066	37,053	—	38,119
Securities at fair value through income				
- Equity securities	2,245	59	—	2,304
- Debt securities	4,491	100	—	4,591
Total assets	41,315	40,269	—	81,584
Liabilities				
Unit-linked contracts	—	374	—	374
Total Liabilities	—	374	—	374

As of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
- Equity securities	25,711	2,870	—	28,581
- Debt securities	682	41,403	—	42,085
Securities at fair value through income				
- Equity securities	2,208	54	—	2,262
- Debt securities	3,993	835	—	4,828
Total assets	32,594	45,162	—	77,756
Liabilities				
Unit-linked contracts	—	346	—	346
Total Liabilities	—	346	—	346

5 SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

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

(ii) Group insurance business

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

(iii) Other business

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

(2) Allocation basis of income and expense

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

(3) Allocation basis of asset and liability

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

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

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

During the Relevant Periods, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

	For the year ended December 31, 2008				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	46,630	636	—	—	47,266
Less: premiums ceded out	107	(61)	—	—	46
Net written premiums and policy fees	46,737	575	—	—	47,312
Net change in unearned premium liabilities	(16)	(37)	—	—	(53)
Net premium earned and policy fees	46,721	538	—	—	47,259
Investment income	1,343	241	5	—	1,589
Other income	98	4	165	(136)	131
Including: inter-segment revenue	—	—	136	(136)	—
Total revenues	48,162	783	170	(136)	48,979
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(142)	(197)	—	—	(339)
Life insurance death and other benefits	(11,647)	(853)	—	—	(12,500)
Increase in long-term insurance contract liabilities	(25,341)	640	—	—	(24,701)
Investment contract benefits	(700)	(70)	—	—	(770)
Commission and brokerage expenses	(4,139)	(58)	—	3	(4,194)
Including: inter-segment expenses	(3)	—	—	3	—
Administrative expenses	(5,322)	(347)	(80)	133	(5,616)
Including: inter-segment expenses	(119)	(8)	(6)	133	—
Other expenses	(175)	(48)	(78)	—	(301)
Total benefits, claims and expenses	(47,466)	(933)	(158)	136	(48,421)
Share of results of associates	—	—	—	—	—
Finance cost	(368)	(8)	—	—	(376)
Net profit before income tax	328	(158)	12	—	182
Income tax	—	—	469	—	469
Net profit for the period	328	(158)	481	—	651
Segment assets	151,628	8,915	4,436	(20)	164,959
Segment liabilities	151,928	8,951	2,712	(20)	163,571

Other segment information for the year ended December 31, 2008:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	158	8	2	—	168
Interest income	4,453	387	—	—	4,840
Impairment	(736)	(39)	—	—	(775)
Share of profit of associates under equity method	—	—	—	—	—

	For the year ended December 31, 2009				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	64,575	847	—	—	65,422
Less: premiums ceded out	133	(103)	—	—	30
Net written premiums and policy fees	64,708	744	—	—	65,452
Net change in unearned premium liabilities	(13)	(59)	—	—	(72)
Net premium earned and policy fees	64,695	685	—	—	65,380
Investment income	8,048	305	9	—	8,362
Other income	148	7	169	(160)	164
Including: inter-segment revenue	—	—	160	(160)	—
Total revenues	72,891	997	178	(160)	73,906
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(204)	(259)	—	—	(463)
Life insurance death and other benefits	(10,153)	(147)	—	—	(10,300)
Increase in long-term insurance contract liabilities	(45,980)	48	—	—	(45,932)
Investment contract benefits	(840)	(189)	—	—	(1,029)
Commission and brokerage expenses	(5,470)	(156)	—	3	(5,623)
Including: inter-segment expenses	(3)	—	—	3	—
Administrative expenses	(6,832)	(388)	(143)	157	(7,206)
Including: inter-segment expenses	(146)	(5)	(6)	157	—
Other expenses	(107)	(35)	(367)	—	(509)
Total benefits, claims and expenses	(69,586)	(1,126)	(510)	160	(71,062)
Share of results of associates	—	—	—	—	—
Finance cost	(181)	(12)	—	—	(193)
Net profit before income tax	3,124	(141)	(332)	—	2,651
Income tax	—	—	10	—	10
Net profit for the period	3,124	(141)	(322)	—	2,661
Segment assets	195,367	6,289	4,983	(21)	206,618
Segment liabilities	192,208	6,202	3,986	(21)	202,375

Other segment information for the year ended December 31, 2009:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	181	11	4	—	196
Interest income	6,299	262	—	—	6,561
Impairment	(206)	(24)	295	—	65
Share of profit of associates under equity method	—	—	—	—	—

	For the year ended December 31, 2010				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	90,863	1,093	—	—	91,956
Less: premiums ceded out	124	(92)	—	—	32
Net written premiums and policy fees	90,987	1,001	—	—	91,988
Net change in unearned premium liabilities	(76)	(52)	—	—	(128)
Net premium earned and policy fees	90,911	949	—	—	91,860
Investment income	10,271	246	4	—	10,521
Other income	148	8	374	(202)	328
Including: inter-segment revenue	—	—	202	(202)	—
Total revenues	101,330	1,203	378	(202)	102,709
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(224)	(478)	—	—	(702)
Life insurance death and other benefits	(12,410)	(138)	—	—	(12,548)
Increase in long-term insurance contract liabilities	(70,090)	(271)	—	—	(70,361)
Investment contract benefits	(699)	(73)	—	—	(772)
Commission and brokerage expenses	(7,178)	(77)	—	3	(7,252)
Including: inter-segment expenses	(3)	—	—	3	—
Administrative expenses	(7,735)	(715)	(159)	199	(8,410)
Including: inter-segment expenses	(180)	(14)	(5)	199	—
Other expenses	67	—	(214)	—	(147)
Total benefits, claims and expenses	(98,269)	(1,752)	(373)	202	(100,192)
Share of results of associates	—	—	1	—	1
Finance cost	(243)	(20)	—	—	(263)
Net profit before income tax	2,818	(569)	6	—	2,255
Income tax	—	—	(5)	—	(5)
Net profit for the period	2,818	(569)	1	—	2,250
Segment assets	291,394	6,556	6,641	(25)	304,566
Segment liabilities	275,181	6,330	16,507	(25)	297,993

Other segment information for the year ended December 31, 2010:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	203	16	4	—	223
Interest income	8,316	170	—	—	8,486
Impairment	(237)	(32)	—	—	(269)
Share of profit of associates under equity method	—	—	1	—	1

	For the six months ended June 30, 2010 (unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	53,049	626	—	—	53,675
Less: premiums ceded out	84	(66)	—	—	18
Net written premiums and policy fees	53,133	560	—	—	53,693
Net change in unearned premium liabilities	(20)	(145)	—	—	(165)
Net premium earned and policy fees	53,113	415	—	—	53,528
Investment income	4,008	108	(2)	—	4,114
Other income	57	15	139	(93)	118
Including: inter-segment revenue	2	—	91	(93)	—
Total revenues	57,178	538	137	(93)	57,760
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(111)	(167)	—	—	(278)
Life insurance death and other benefits	(5,546)	(84)	—	—	(5,630)
Increase in long-term insurance contract liabilities	(42,776)	(206)	—	—	(42,982)
Investment contract benefits	(301)	(50)	—	—	(351)
Commission and brokerage expenses	(3,848)	(38)	—	2	(3,884)
Including: inter-segment expenses	(2)	—	—	2	—
Administrative expenses	(3,614)	(331)	(71)	91	(3,925)
Including: inter-segment expenses	(83)	(8)	—	91	—
Other expenses	229	(15)	(20)	—	194
Total benefits, claims and expenses	(55,967)	(891)	(91)	93	(56,856)
Share of results of associates	—	—	—	—	—
Finance cost	(53)	(9)	—	—	(62)
Net profit before income tax	1,158	(362)	46	—	842
Income tax	—	—	(265)	—	(265)
Net profit for the period	1,158	(362)	(219)	—	577
Segment assets	239,292	6,428	5,867	(13)	251,574
Segment liabilities	238,419	6,427	3,152	(13)	247,985

Other segment information for the six months ended June 30, 2010 (unaudited):

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	95	9	2	—	106
Interest income	3,741	96	4	—	3,841
Impairment	323	17	—	—	340
Share of profit of associates under equity method	—	—	—	—	—

	For the six months ended June 30, 2011				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy Fees	50,068	775	—	—	50,843
Less: premiums ceded out	289	(51)	—	—	238
Net written premiums and policy fees	50,357	724	—	—	51,081
Net change in unearned premium liabilities	(35)	(158)	—	—	(193)
Net premium earned and policy fees	50,322	566	—	—	50,888
Investment income	6,672	136	5	—	6,813
Other income	64	8	140	(111)	101
Including: inter-segment revenue	3	—	108	(111)	—
Total revenues	57,058	710	145	(111)	57,802
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(161)	(207)	—	—	(368)
Life insurance death and other benefits	(9,464)	(64)	—	—	(9,528)
Increase in long-term insurance contract liabilities	(37,521)	(99)	—	—	(37,620)
Investment contract benefits	(323)	(23)	—	—	(346)
Commission and brokerage expenses	(3,648)	(42)	—	1	(3,689)
Including: inter-segment expenses	(1)	—	—	1	—
Administrative expenses	(3,524)	(494)	(90)	110	(3,998)
Including: inter-segment expenses	(97)	(13)	—	110	—
Other expenses	185	(16)	(61)	—	108
Total benefits, claims and expenses	(54,456)	(945)	(151)	111	(55,441)
Share of results of associates	—	—	—	—	—
Finance cost	(291)	(20)	—	—	(311)
Net profit before income tax	2,311	(255)	(6)	—	2,050
Income tax	—	—	(275)	—	(275)
Net profit for the period	2,311	(255)	(281)	—	1,775
Segment assets	333,408	7,111	6,172	(23)	346,668
Segment liabilities	316,976	6,800	2,438	(23)	326,191

Other segment information for the six months ended June 30, 2011:

	Insurance		Others	Elimination	Total
	Individual	Group			
Depreciation and amortization	107	15	3	—	125
Interest income	5,552	115	4	—	5,671
Impairment	224	17	—	—	241
Share of profit of associates under equity method	—	—	—	—	—

6 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of January 1, 2008	1,485	372	87	344	2,288
Additions	38	62	27	419	546
Transfers upon completion	311	12	—	(323)	—
Transfers from investment properties (Note 7)	60	—	—	—	60
Disposals	—	(11)	(12)	(8)	(31)
As of December 31, 2008	1,894	435	102	432	2,863
Additions	123	98	44	180	445
Transfers upon completion	334	32	—	(366)	—
Transfers from investment properties (Note 7)	183	—	—	—	183
Disposals	(2)	(15)	(18)	—	(35)
As of December 31, 2009	2,532	550	128	246	3,456
Additions	73	114	32	39	258
Transfers upon completion	79	18	—	(97)	—
Transfers to investment properties (Note 7)	(84)	—	—	—	(84)
Disposals	—	(20)	(14)	—	(34)
As of December 31, 2010	2,600	662	146	188	3,596
Additions	—	30	12	2	44
Transfers to investment properties (Note 7)	(83)	—	—	—	(83)
Disposals	—	(13)	(5)	—	(18)
As of June 30, 2011	2,517	679	153	190	3,539
Accumulated depreciation					
As of January 1, 2008	(137)	(195)	(34)	—	(366)
Charges for the year	(39)	(57)	(7)	—	(103)
Transfers from investment properties (Note 7)	(2)	—	—	—	(2)
Disposals	—	9	7	—	16
As of December 31, 2008	(178)	(243)	(34)	—	(455)
Charges for the year	(45)	(64)	(8)	—	(117)
Transfers from investment properties (Note 7)	(12)	—	—	—	(12)
Disposals	—	13	11	—	24
As of December 31, 2009	(235)	(294)	(31)	—	(560)
Charges for the year	(60)	(76)	(11)	—	(147)
Transfers to investment properties (Note 7)	5	—	—	—	5
Disposals	—	18	10	—	28
As of December 31, 2010	(290)	(352)	(32)	—	(674)
Charges for the period	(32)	(44)	(6)	—	(82)
Transfers to investment properties (Note 7)	12	—	—	—	12
Disposals	—	12	3	—	15
As of June 30, 2011	(310)	(384)	(35)	—	(729)
Net book value					
As of December 31, 2008	1,716	192	68	432	2,408
As of December 31, 2009	2,297	256	97	246	2,896
As of December 31, 2010	2,310	310	114	188	2,922
As of June 30, 2011	2,207	295	118	190	2,810

Company	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As of January 1, 2008	1,485	365	86	190	2,126
Additions	38	62	25	419	544
Transfers upon completion	311	12	—	(323)	—
Transfers from investment properties (Note 7)	60	—	—	—	60
Disposals	—	(11)	(12)	(8)	(31)
As of December 31, 2008	1,894	428	99	278	2,699
Additions	123	98	44	180	445
Transfers upon completion	334	31	—	(365)	—
Transfers from investment properties (Note 7)	183	—	—	—	183
Disposals	(2)	(14)	(18)	—	(34)
As of December 31, 2009	2,532	543	125	93	3,293
Additions	12	109	32	36	189
Transfers upon completion	79	18	—	(97)	—
Transfers to investment properties (Note 7)	(84)	—	—	—	(84)
Disposals	(172)	(19)	(13)	(4)	(208)
As of December 31, 2010	2,367	651	144	28	3,190
Additions	—	30	12	1	43
Transfers to investment properties (Note 7)	(83)	—	—	—	(83)
Disposals	—	(13)	(5)	—	(18)
As of June 30, 2011	2,284	668	151	29	3,132
Accumulated depreciation					
As of January 1, 2008	(137)	(193)	(34)	—	(364)
Charges for the year	(39)	(56)	(7)	—	(102)
Transfers from investment properties (Note 7)	(2)	—	—	—	(2)
Disposals	—	9	7	—	16
As of December 31, 2008	(178)	(240)	(34)	—	(452)
Charges for the year	(45)	(64)	(8)	—	(117)
Transfers from investment properties (Note 7)	(12)	—	—	—	(12)
Disposals	—	13	11	—	24
As of December 31, 2009	(235)	(291)	(31)	—	(557)
Charges for the year	(60)	(75)	(11)	—	(146)
Transfers to investment properties (Note 7)	5	—	—	—	5
Disposals	14	17	9	—	40
As of December 31, 2010	(276)	(349)	(33)	—	(658)
Charges for the period	(29)	(43)	(6)	—	(78)
Transfers to investment properties (Note 7)	12	—	—	—	12
Disposals	—	11	3	—	14
As of June 30, 2011	(293)	(381)	(36)	—	(710)
Net book value					
As of December 31, 2008	1,716	188	65	278	2,247
As of December 31, 2009	2,297	252	94	93	2,736
As of December 31, 2010	2,091	302	111	28	2,532
As of June 30, 2011	1,991	287	115	29	2,422

The Group was in the process of obtaining legal title in respect of the ownership of buildings with aggregate net book values of approximately RMB 171 million as of June 30, 2011.

7 INVESTMENT PROPERTIES

Group and Company	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Cost				
Beginning of the year / period	720	660	477	561
Transfers from property plant and equipment (Note 6)	—	—	84	83
Transfers to property plant and equipment (Note 6)	(60)	(183)	—	—
End of the year / period	660	477	561	644
Accumulated depreciation				
Beginning of the year / period	(10)	(26)	(29)	(48)
Charges for the year / period	(18)	(15)	(14)	(6)
Transfers from property plant and equipment (Note 6)	—	—	(5)	(12)
Transfers to property plant and equipment (Note 6)	2	12	—	—
End of the year / period	(26)	(29)	(48)	(66)
Net book value				
Beginning of the year / period	710	634	448	513
End of the year / period	634	448	513	578

Total rental income from investment properties are recognized in "other income" (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle Sallmanns Limited, the fair value of investment properties as of December 31, 2008, 2009 and 2010 and as of June 30, 2011 were RMB 899 million, RMB 703 million, RMB 1,071 million and RMB 1,424 million, respectively.

8 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software.

Group	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Cost				
Beginning of the year / period	113	147	156	181
Additions	34	9	25	4
End of the year / period	147	156	181	185
Accumulated depreciation				
Beginning of the year / period	(52)	(77)	(104)	(124)
Amortization	(25)	(27)	(20)	(10)
End of the year / period	(77)	(104)	(124)	(134)
Net book value				
Beginning of the year / period	61	70	52	57
End of the year / period	70	52	57	51

Company	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Cost				
Beginning of the year / period	112	143	152	177
Additions	31	9	25	4
End of the year / period	143	152	177	181
Accumulated depreciation				
Beginning of the year / period	(52)	(77)	(103)	(123)
Amortization	(25)	(26)	(20)	(10)
End of the year / period	(77)	(103)	(123)	(133)
Net book value				
Beginning of the year / period	60	66	49	54
End of the year / period	66	49	54	48

9 INVESTMENTS IN ASSOCIATES

Details of investments in associates, all unlisted, are as follows:

Group	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Beginning of the year / period	—	—	10	707
Additional capital contribution to associates[(1)]	—	—	348	—
Transfer of prepaid investment in associates[(1)]	—	10	300	—
Share of results	—	—	1	—
Other equity movements	—	—	48	—
End of the year / period	—	10	707	707

Company	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Beginning of the year / period	—	—	10	610
Additional capital contribution to associates[(1)]	—	—	300	—
Transfer of prepaid investment in associates[(1)]	—	10	300	—
End of the year / period	—	10	610	610

There was no associate hold by the Group or the Company as of December 31, 2008.

Assets, liabilities, revenue and profit / (loss) of associates are as follows:

As of / for the year ended December 31, 2009	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit/ (loss)
Beijing MJ Health Screening Centre Co., Ltd. ("MJ Health")	Beijing, the PRC	30%	39	5	48	11

As of / for the year ended December 31, 2010	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit/ (loss)
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")	Beijing, the PRC	24%	3,390	893	—	(2)
MJ Health	Beijing, the PRC	30%	45	8	52	3
Total			3,435	901	52	1

As of / for the six months ended June 30, 2011	Country of incorporation	Interest held	Assets	Liabilities	Revenue	Profit/ (loss)
Zijin Century	Beijing, the PRC	24%	4,068	1,571	—	—
MJ Health	Beijing, the PRC	30%	42	5	21	—
Total			4,110	1,576	21	—

All investments in associates are directly held by the Group and the Company. The financial statements of the above associates were not audited by us or other members of the PricewaterhouseCoopers global network. The English names of the associates represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

(1) Transfer of prepaid investment in associates

The balance mainly represented transfer of prepaid investment in Zijin Century.

In 2005, the Company entrusted Western Surety Co., Ltd. (hereinafter referred to as "Western Surety") and New Industry to invest RMB 300 million each for a total of RMB 600 million in Zijin Century for 60% of Zijin Century's initial registered capital shares. The Company recorded RMB 600 million under "other receivable".

In October 2006, the Company signed equity transfer agreement with Western Surety and New Industry, respectively, which agreed to transfer their respective share of investment in Zijin Century to the Company. In 2006, New Industry returned the 30% equity interest in Zijin Century to the Company, and hence the Company recorded cost of this equity investment of RMB 300 million and reversed the same amount from "other receivable". However, Western Surety failed to fulfill its obligation under the agreement. The Company's management anticipated significant uncertainty in receiving the shares or recovering the fund, and therefore the Company made a full provision amounted to RMB 300 million (as disclosed in Note 13). During 2007 and 2008, Zijin Century issued additional shares twice while the Company did not exercise its right to further invest in Zijin Century. As a result, as of December 31, 2008, the Company's effective equity interest in Zijin Century was diluted to 12%. The Company ceased to have significant influence over Zijin Century's operations or financial reporting. Zijin Century is a real estate project development company and its main assets are construction in progress. Before 2010, the construction was in its early stage, and the variability in the range of reasonable fair value estimate was significant, the Company considered the fair value of Zijin Century could not be reliably estimated. Therefore, the Company recognized the investment in Zijin Century at cost.

In 2010, the Company obtained a court order and successfully recovered the 12% equity interest in Zijin Century from Western Surety for a total capital share of 24% in Zijin Century. The Company therefore reversed the provision in "other receivable" amounted to RMB 300 million, and recorded it as "investments in associates". Thereafter the Company has significant influence on Zijin Century and recognized Zijin as an associate.

10 FINANCIAL ASSETS

(1) Held-to-maturity securities

Group and Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Debt securities				
Government bonds	31,163	34,569	36,261	35,773
Financial bonds	13,483	19,350	26,887	26,872
Central bank bills	280	280	280	—
Corporate bonds	31,795	35,823	37,778	38,546
Subordinated bonds / debts	3,854	17,639	20,810	26,765
Total	80,575	107,661	122,016	127,956
Debt securities				
Listed in the PRC	25,080	25,721	25,915	26,608
Unlisted	55,495	81,940	96,101	101,348
Total	80,575	107,661	122,016	127,956

The estimated fair value of listed held-to-maturity securities is RMB 26,826 million, RMB 26,106 million, RMB 26,154 million and RMB 26,535 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

The unlisted debt securities refer to debt securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and debt securities not publicly traded.

The due dates of debt securities which are classified as held-to-maturity securities are as follows:

Maturity	As of December 31, 2008	2009	2010	As of June 30, 2011
Within 1 year (including 1 year)	1,850	2,586	3,880	5,350
After 1 year but within 3 years (including 3 years)	6,506	6,480	10,284	15,466
After 3 years but within 5 years (including 5 years)	9,152	18,263	10,385	3,663
After 5 years	63,067	80,332	97,467	103,477
Total	80,575	107,661	122,016	127,956

(2) Available-for-sale securities

Group	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
Debt securities				
Government bonds	163	147	8	22
Financial bonds	18,863	17,978	10,733	7,205
Central bank bills	1,931	1,358	1,325	—
Corporate bonds	9,167	8,282	17,434	18,806
Subordinated bonds / debts	4,339	2,742	8,619	16,052
Subtotal	34,463	30,507	38,119	42,085
Equity securities				
Funds	1,660	11,401	15,271	8,565
Stocks	1,157	7,798	21,299	20,016
Subtotal	2,817	19,199	36,570	28,581
Total	37,280	49,706	74,689	70,666
Debt securities				
Listed in the PRC	1,546	1,659	2,849	4,124
Unlisted	32,917	28,848	35,270	37,961
Subtotal	34,463	30,507	38,119	42,085
Equity securities				
Listed in the PRC	1,524	8,506	22,844	21,866
Unlisted	1,293	10,693	13,726	6,715
Subtotal	2,817	19,199	36,570	28,581
Total	37,280	49,706	74,689	70,666

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
Within 1 year (including 1 year)	1,111	288	3,347	1,410
After 1 year but within 3 years (including 3 years)	2,369	2,682	5,148	2,643
After 3 years but within 5 years (including 5 years)	3,740	5,206	11,693	13,161
After 5 years	27,243	22,331	17,931	24,871
Total	34,463	30,507	38,119	42,085

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Debt securities				
Government bonds	163	147	8	22
Financial bonds	18,764	17,978	10,733	7,205
Central bank bills	1,931	1,358	1,325	—
Corporate bonds	9,167	8,282	17,434	18,806
Subordinated bonds / debts	4,339	2,742	8,619	16,052
Subtotal	34,364	30,507	38,119	42,085
Equity securities				
Funds	1,660	11,401	15,271	8,565
Stocks	1,157	7,798	21,299	20,016
Subtotal	2,817	19,199	36,570	28,581
Total	37,181	49,706	74,689	70,666
Debt securities				
Listed in the PRC	1,546	1,659	2,849	4,124
Unlisted	32,818	28,848	35,270	37,961
Subtotal	34,364	30,507	38,119	42,085
Equity securities				
Listed in the PRC	1,524	8,506	22,844	21,866
Unlisted	1,293	10,693	13,726	6,715
Subtotal	2,817	19,199	36,570	28,581
Total	37,181	49,706	74,689	70,666

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of December 31, 2008	2009	2010	As of June 30 2011
Within 1 year (including 1 year)	1,111	288	3,347	1,410
After 1 year but within 3 years (including 3 years)	2,369	2,682	5,148	2,643
After 3 years but within 5 years (including 5 years)	3,740	5,206	11,693	13,161
After 5 years	27,144	22,331	17,931	24,871
Total	34,364	30,507	38,119	42,085

The unlisted securities refer to debt / equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded.

(3) Securities at fair value through income

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
Debt securities				
Government bonds	1,074	—	—	—
Financial bonds	2,003	—	4,470	3,959
Central bank bills	1,248	—	—	—
Corporate bonds	1,148	1	121	510
Subordinated bonds / debts	—	—	—	359
Subtotal	5,473	1	4,591	4,828
Equity securities				
Funds	1,309	1,862	1,085	1,521
Stocks	504	2,305	1,219	741
Subtotal	1,813	4,167	2,304	2,262
Total	7,286	4,168	6,895	7,090
Debt securities				
Listed in the PRC	1,248	1	4,491	3,993
Unlisted	4,225	—	100	835
Subtotal	5,473	1	4,591	4,828
Equity securities				
Listed in the PRC	747	2,947	1,510	1,056
Unlisted	1,066	1,220	794	1,206
Subtotal	1,813	4,167	2,304	2,262
Total	7,286	4,168	6,895	7,090

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Debt securities				
Government bonds	1,074	—	—	—
Financial bonds	2,003	—	4,470	3,959
Central bank bills	1,248	—	—	—
Corporate bonds	1,140	1	121	510
Subordinated bonds / debts	—	—	—	359
Subtotal	5,465	1	4,591	4,828
Equity securities				
Funds	1,309	1,842	1,085	1,521
Stocks	504	2,305	1,219	741
Subtotal	1,813	4,147	2,304	2,262
Total	7,278	4,148	6,895	7,090
Debt securities				
Listed in the PRC	1,240	1	4,491	3,993
Unlisted	4,225	—	100	835
Subtotal	5,465	1	4,591	4,828
Equity securities				
Listed in the PRC	747	2,927	1,510	1,056
Unlisted	1,066	1,220	794	1,206
Subtotal	1,813	4,147	2,304	2,262
Total	7,278	4,148	6,895	7,090

The unlisted securities refer to debt / equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded. As of December 31, 2008, 2009, 2010 and June 30, 2011, all of the Group's and the Company's securities classified as at fair value through income were held for trading purpose.

(4) Term deposits

The due dates of the term deposits are as follows:

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
Maturity				
Within 1 year (including 1 year)	4,698	3,951	6,850	7,392
After 1 year but within 3 years (including 3 years)	9,040	6,340	9,500	9,500
After 3 years but within 5 years (including 5 years)	8,000	8,000	38,860	83,110
After 5 years	—	600	—	1,000
Total	21,738	18,891	55,210	101,002

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Maturity				
Within 1 year (including 1 year)	4,698	3,858	6,850	7,392
After 1 year but within 3 years (including 3 years)	9,040	6,340	9,500	9,500
After 3 years but within 5 years (including 5 years)	8,000	8,000	38,700	82,946
After 5 years	—	600	—	1,000
Total	21,738	18,798	55,050	100,838

(5) Statutory deposits

The due dates of the statutory deposits are as follows:

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
Maturity				
Within 1 year (including 1 year)	1	241	241	282
After 1 year but within 3 years (including 3 years)	241	—	1	—
After 3 years but within 5 years (including 5 years)	—	1	—	240
After 5 years	—	—	—	—
Total	242	242	242	522

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Maturity				
Within 1 year (including 1 year)	—	240	240	280
After 1 year but within 3 years (including 3 years)	240	—	—	—
After 3 years but within 5 years (including 5 years)	—	—	—	240
After 5 years	—	—	—	—
Total	240	240	240	520

According to relevant regulations issued by the CIRC, statutory deposits can only be used by the insurance company to discharge debt upon liquidation.

(6) Financial assets purchased under agreements to resell

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
By market				
Inter-bank market	—	411	640	430
Stock exchange	—	—	—	15
Total	—	411	640	445
By collateral				
Bonds	—	411	65	445
Bills	—	—	575	—
Total	—	411	640	445

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
By market				
Inter-bank market	—	411	615	410
Stock exchange	—	—	—	15
Total	—	411	615	425
By collateral				
Bonds	—	411	65	425
Bills	—	—	550	—
Total	—	411	615	425

(7) Accrued investment income

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
Bank deposits	401	949	2,500	3,101
Debt securities	1,823	2,065	2,486	2,836
Dividend receivable	—	—	—	10
Total	2,224	3,014	4,986	5,947
Current	1,995	2,172	4,062	4,785
Non-current	229	842	924	1,162
Total	2,224	3,014	4,986	5,947

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Bank deposits	401	949	2,497	3,096
Debt securities	1,818	2,065	2,485	2,836
Dividend receivable	—	—	—	10
Total	2,219	3,014	4,982	5,942
Current	1,990	2,172	4,059	4,782
Non-current	229	842	923	1,160
Total	2,219	3,014	4,982	5,942

11 PREMIUM RECEIVABLE

Premium receivables are due within 3 months.

12 REINSURANCE ASSETS

Group and Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Claims and claim adjustment expenses ceded (Note 14)	9	14	19	20
Unearned premiums ceded (Note 14)	27	41	13	27
Long-term insurance contract ceded (Note 14)	4,418	4,393	4,427	4,207
Due from reinsurance companies	157	105	76	448
Total	4,611	4,553	4,535	4,702
Current	193	160	123	890
Non-current	4,418	4,393	4,412	3,812
Total	4,611	4,553	4,535	4,702

13 OTHER ASSETS

Group	December 31, 2008 Book value balance	Provision for impairment	Net book value	December 31, 2009 Book value balance	Provision for impairment	Net book value	December 31, 2010 Book value balance	Provision for impairment	Net book value	June 30, 2011 Book value balance	Provision for impairment	Net book value
Receivable from off-balance repurchase transactions (Note 3 (4))	1,455	(1,455)	—	1,455	(1,455)	—	1,455	(1,455)	—	1,101	(1,101)	—
Prepaid and deferred expenses	186	—	186	262	—	262	402	—	402	389	—	389
Prepayment for Taizhou and Yongzhou cases[3]	—	—	—	295	(295)	—	295	(295)	—	295	(295)	—
Litigation deposit[2]	—	—	—	—	—	—	316	—	316	232	—	232
Prepaid taxes[5]	63	—	63	106	—	106	143	—	143	178	—	178
Entrusted fund receivable from Liquidation Group of Minfa Securities[4]	477	(477)	—	477	(256)	221	166	(166)	—	166	(166)	—
Prepayment for Heilongjiang branch's office building[6]	37	(37)	—	37	(37)	—	37	(37)	—	37	(37)	—
Receivable from Huaxinrong Company[7]	12	(12)	—	12	(12)	—	12	(12)	—	12	(12)	—
Prepaid equity investment in Zijin Century (Note 9 (1))	300	(300)	—	300	(300)	—	—	—	—	—	—	—
Investment clearing account[1]	129	—	129	—	—	—	859	—	859	—	—	—
Others	263	(10)	253	277	(2)	275	257	(4)	253	460	(4)	456
Total	2,922	(2,291)	631	3,221	(2,357)	864	3,942	(1,969)	1,973	2,870	(1,615)	1,255

Company	December 31, 2008 Book value balance	Provision for impairment	Net book value	December 31, 2009 Book value balance	Provision for impairment	Net book value	December 31, 2010 Book value balance	Provision for impairment	Net book value	June 30, 2011 Book value balance	Provision for impairment	Net book value
Receivable from off-balance repurchase transactions (Note 3 (4))	1,455	(1,455)	—	1,455	(1,455)	—	1,455	(1,455)	—	1,101	(1,101)	—
Receivable from subsidiaries (Note 33 (3))	167	—	167	173	—	173	423	—	423	427	—	427
Prepaid and deferred expenses	186	—	186	259	—	259	383	—	383	370	—	370
Prepayment for Taizhou and Yongzhou cases[3]	—	—	—	295	(295)	—	295	(295)	—	295	(295)	—
Litigation deposit[2]	—	—	—	—	—	—	316	—	316	232	—	232
Prepaid taxes[5]	63	—	63	106	—	106	143	—	143	178	—	178
Entrusted fund receivable from Liquidation Group of Minfa Securities[4]	477	(477)	—	477	(256)	221	166	(166)	—	166	(166)	—
Prepayment for Heilongjiang branch's office building[6]	37	(37)	—	37	(37)	—	37	(37)	—	37	(37)	—
Receivable from Huaxinrong Company[7]	12	(12)	—	12	(12)	—	12	(12)	—	12	(12)	—
Prepaid equity investment in Zijin Century (Note 9 (1))	300	(300)	—	300	(300)	—	—	—	—	—	—	—
Investment clearing account[1]	129	—	129	—	—	—	859	—	859	—	—	—
Others	264	(10)	254	275	(2)	273	252	(4)	248	459	(4)	455
Total	3,090	(2,291)	799	3,389	(2,357)	1,032	4,341	(1,969)	2,372	3,277	(1,615)	1,662

Group	As of December 31, 2008	2009	2010	As of June 30, 2011
Current	519	687	1,744	949
Non-current	112	177	229	306
Total	631	864	1,973	1,255

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Current	687	855	2,164	1,376
Non-current	112	177	208	286
Total	799	1,032	2,372	1,662

(1) Investment clearing account

Investment clearing account balance represents unsettled security in transit as of the period end date.

(2) Litigation deposit

The Group is in the process of recovering fund relating to the misconducts of the Former Chairman through legal proceedings. Litigation deposit represents the deposit required by the court in legal process, and will be returned to the Group upon the conclusion of the cases.

(3) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The former employees have been under investigation by local police bureau. The Company set up special work force immediately after these cases were exposed and has fully cooperated with local government and police bureau on investigation, made prepayment to victims as well as conducted other stabilizing efforts. Based on current assessment, the Company estimated that the amount to settle all claims from defrauded policyholders was RMB 295 million for Taizhou and Yongzhou cases, including principal and interest. The Company anticipated significant uncertainty in recovering the prepayment and recognized a full loss provision based on the best estimates of future cash flows. As of June 30, 2011, the Company has settled claims amounted to RMB 208 million, and estimated future claims amounted to RMB 87 million for Taizhou and Yongzhou cases (Note 19).

(4) Entrusted fund receivable from Liquidation Group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the China Securities Regulatory Commission and undertook administrative liquidation in 2005; therefore the Company's investments entrusted to Minfa Securities with carrying amount of RMB 477 million were deemed uncollectible at the time of liquidation. The Company reclassified these investments into other receivable at their carrying amount. Because the administrative liquidation of Minfa Securities is still ongoing, there is significant uncertainty with respect to the recovery of such receivable and therefore the Company recognized a full provision against such balance. According to the first distribution arrangement of the liquidation of Minfa Securities approved by the Court on December 31, 2009, certain investments in equities of listed companies made by Minfa Securities were determined to be distributed to the Company. The fair value of these distributed shares was RMB 221 million as of December 31, 2009, and hence, the Company reversed the provision amounted to RMB 221 million in 2009.

On January 11, 2010, the Company received these distributed shares with a fair value of RMB 227 million. The Company further reversed an additional provision of RMB 6 million, and recognized financial assets in the amount of RMB 227 million. According to the second distribution arrangement of the liquidation of Minfa Securities approved by the Court on June 9, 2010, the Company received cash of RMB 84 million. The Company recognized such assets and reversed provision of RMB 84 million accordingly.

(5) Prepaid Taxes

Prepaid taxes are prepaid business taxes and surcharges related to the Group's insurance and investment activities. They will be refunded to the Group or can be used as credits to offset future tax obligations.

(6) Prepayment for Heilongjiang branch office building

In 2005, the Company signed an office building purchase contract for RMB 37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB 37 million to Heilongjiang Guantong investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Because the payment recipient is not a party of the contract, as of the date of this report, the Company was not able to obtain the office building ownership certificate, and to recover the payment made to Guantong Investment was significantly uncertain. Based on the best estimation of the future cash flow, the Company recognized a full provision for this prepayment.

(7) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounted to RMB 104 million. In 2004, the Company made a payment of RMB 100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and then made a payment of RMB 16 million to Lianjiuzhou Company directly. In 2007, the Company reached an agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB 12 million and recognized a full provision.

14 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on liabilities computation.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates with risk margins are as follows:

	Discount rate assumption
December 31, 2008	5.23%
December 31, 2009	5.23%
December 31, 2010	5.23%
June 30, 2011	5.23%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on "China Bond" website, with consideration including liquidity spreads, taxation impacts and other relevant factors. The expected discount rates are as follows:

	Discount rate assumption
December 31, 2008	3.16%-5.30%
December 31, 2009	2.89%-5.52%
December 31, 2010	2.61%-5.66%
June 30, 2011	2.56%-5.67%

The discount rate assumption is affected by certain factors, such as future macro-economy, fiscal policies, capital markets and availability of investment channel of insurance funds. The Group determines discount rate assumption based on the information obtained at the end of each reporting period including consideration of risk margins.

(b) Mortality and morbidity assumption

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is that epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed that used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illness, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(c) Expenses assumption

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation and risk margin, expressed on both per-policy / insured and a percent-of-premium basis. The Group's expense assumption is affected by certain factors, such as inflation and market competition. The Company determines expense assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per insured	% of Premium
December 31, 2008	65-75	1.75%-1.97%	20	0.04%
December 31, 2009	75	1.66%-1.97%	20	0.21%
December 31, 2010	65-80	0.88%-1.17%	30	0.08%
June 30, 2011	65-80	0.88%-1.17%	30	0.08%

(d) Policy dividend assumption

Policy dividend assumption is determined based upon the investment yields of participating account, contract terms, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(e) Lapse rate and other assumptions

The lapse rates and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rates and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

(2) Net liabilities of insurance contracts

	As of December 31,			As of June 30,
Group and Company	**2008**	**2009**	**2010**	**2011**
Gross				
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 premiums liabilities	344	430	530	737
Total, gross	117,125	163,815	234,625	268,891
Recoverable from reinsurers				
Long-term insurance contracts (Note12)	(4,418)	(4,393)	(4,427)	(4,207)
Short-term insurance contracts				
- Outstanding claims liabilities (Note12)	(9)	(14)	(19)	(20)
- Unearned premiums liabilities (Note12)	(27)	(41)	(13)	(27)
Total, ceded	(4,454)	(4,448)	(4,459)	(4,254)
Net				
Long-term insurance contracts liabilities	112,241	158,833	229,394	263,646
Short-term insurance contracts liabilities				
- Outstanding claims liabilities	113	145	255	281
- Unearned premiums liabilities	317	389	517	710
Total, net	112,671	159,367	230,166	264,637

(3) Movements in liabilities of short-term insurance contracts

The table below presents movements in outstanding claims liabilities:

	For the year ended December 31,			For the six months ended June 30,
Group and Company	**2008**	**2009**	**2010**	**2011**
Beginning of year / period — Gross	129	122	159	274
Cash paid for claims settled in year / period				
- Cash paid for current year claims	(269)	(332)	(514)	(186)
- Cash paid for prior year claims	(127)	(128)	(149)	(189)
Claims incurred in year / period				
- Claims arising in current year	367	479	779	408
- Claims accrued / (adjusted) for prior years	22	18	(1)	(6)
End of year / period — Gross	122	159	274	301

The table below presents the movement in unearned premium liabilities:

Group and Company	Gross	Ceded	Net
As of January 1, 2008	289	(26)	263
Premiums written	898	(79)	819
Premiums earned	(843)	78	(765)
As of December 31, 2008	344	(27)	317
Premiums written	1,213	(108)	1,105
Premiums earned	(1,127)	94	(1,033)
As of December 31, 2009	430	(41)	389
Premiums written	1,534	(64)	1,470
Premiums earned	(1,434)	92	(1,342)
As of December 31, 2010	530	(13)	517
Premiums written	1,038	(49)	989
Premiums earned	(831)	35	(796)
As of June 30, 2011	737	(27)	710

(4) Movements in liabilities of long-term insurance contracts

The table below presents the movements in the liabilities of long-term insurance contracts:

	For the year ended December 31,			For the six months ended June 30,
Group and Company	**2008**	**2009**	**2010**	**2011**
Beginning of year / period	96,608	116,659	163,226	233,821
Premiums	45,555	63,827	90,145	49,624
Release of liabilities(i)	(22,769)	(24,349)	(29,815)	(18,149)
Accretion of interest	4,892	7,066	10,160	6,604
Changes in assumption(ii)	170	(597)	785	81
Other movements(iii)	(7,797)	620	(680)	(4,128)
End of year / period	116,659	163,226	233,821	267,853

(i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of outstanding claims liabilities of long-term insurance contracts.

(ii) Changes in assumption are impact of changes in discount rate assumption, mortality and morbidity assumption, expenses assumption, policy dividend assumption, and lapse rate and other assumptions.

(iii) Other movements includes accumulate realized but not yet announced policy dividend movement and change of shadow adjustments.

15 LIABILITIES OF INVESTMENT CONTRACTS

The table below presents the movement in liabilities of investment contracts:

Group and Company

Non-unit-linked contracts	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Beginning of year / period	15,767	21,402	20,162	19,538
Deposits received	10,520	2,020	2,190	1,086
Deposits paid and liabilities transferred out	(4,604)	(3,788)	(3,280)	(1,989)
Policy fees deducted from account balances	(808)	(377)	(275)	(180)
Interest credited	837	881	737	367
Changes in investment contracts recorded in other comprehensive income	(310)	24	4	(54)
End of year / period	21,402	20,162	19,538	18,768

Unit-linked contracts	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2011
Beginning of year / period	353	256	381	374
Deposits received	16	7	14	8
Deposits paid and liabilities transferred out	(41)	(25)	(54)	(14)
Policy fees deducted from account balances	(5)	(5)	(2)	(1)
Fair value changes	(67)	148	35	(21)
End of year / period	256	381	374	346
Total liabilities of investment contracts as at end of year / period	21,658	20,543	19,912	19,114

16 BORROWINGS

As approved by the CIRC, the Company issued subordinated debts on December 30, 2004 at par value of RMB 1,350 million, with a maturity of 61 months from issuance. The subordinated debts are unsecured, and bear interests at a floating rate of 12-month term-deposit interest rate published by the People's Bank of China plus 2.25% per annum. Such subordinated debts matured and were repaid in January 2010.

17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

Group and Company	As of December 31, 2008	2009	2010	As of June 30, 2011
By market				
Inter-bank market	20,669	10,348	12,568	16,663
Stock exchange	—	1,900	12,144	16,982
Total	20,669	12,248	24,712	33,645
By collateral				
Bond	20,285	12,248	24,712	33,645
Bills	384	—	—	—
Total	20,669	12,248	24,712	33,645

As of June 30, 2011, bonds with par value of RMB 17,673 million (December 31, 2008: RMB 20,763 million; December 31, 2009: RMB 10,400 million; December 31, 2010: RMB 13,043 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted during the period of the repurchase transaction.

For debt repurchase transactions through exchange, the Group and the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation should be no less than the balance of related repurchase transaction. As of June 30, 2011, the amount of securities deposited in the collateral pool was RMB 27,460 million (December 31, 2008: RMB 9,792 million; December 31, 2009: RMB 9,774 million; December 31, 2010: RMB 22,224 million). The collateral is restricted during the period of the repurchase transaction. The Group and the Company can write off the exchange-traded bonds from collateral pool in the short term under the condition that the value of certain bonds is no less than the balance of related repurchase transactions.

As of December 31, 2008, 2009 and 2010 and June 30, 2011, maturity for financial assets sold under agreements to repurchase was all within 3 months.

18 PROVISIONS

Group and Company	Lawsuits and disputes
As of January 1, 2008	381
Increase	49
Decrease	—
As of December 31, 2008	430
Increase	—
Decrease	—
As of December 31, 2009	430
Increase	144
Decrease	—
As of December 31, 2010	574
Increase	—
Decrease	(116)
As of June 30, 2011	458

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking consideration of specific circumstances and legal advice, the Company makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depends on the final investigation, judgment and settlement amount, thus it may differ from the current provision.

19 OTHER LIABILITIES

	As of December 31,			As of June 30,
Group	**2008**	**2009**	**2010**	**2011**
Advance for capital injection (Note 21)	—	—	14,000	—
Salary and welfare payable	438	472	970	750
Repayment payable for non-insurance contracts	297	1,014	860	831
Commission and brokerage payable	291	426	534	690
Unallocated receipts	55	112	184	102
Security deposits by agent for holding the Company's documents	122	163	171	165
Taxes payable other than income tax	68	121	89	64
Taizhou and Yongzhou cases outstanding payments (Note13(3))	—	251	90	87
Insurance security fund	53	41	70	51
Purchase payment for Heilongjiang branch's building (Note13(6))	37	37	37	37
Retirement benefit obligations (1)	128	147	—	—
Investment clearance payment	—	92	—	352
Others	286	357	366	246
Total	1,775	3,233	17,371	3,375
Current	1,312	2,194	16,612	2,857
Non-current	463	1,039	759	518
Total	1,775	3,233	17,371	3,375

Company	As of December 31, 2008	2009	2010	As of June 30, 2011
Advance for capital injection (Note 21)	—	—	14,000	—
Salary and welfare payable	427	457	917	708
Repayment payable for non-insurance contracts	297	1,014	860	831
Commission and brokerage payable	291	426	534	690
Unallocated receipts	55	112	184	102
Security deposits by agent for holding the Company's documents	122	163	171	165
Taxes payable other than income tax	67	108	86	62
Taizhou and Yongzhou cases outstanding payments (Note13(3))	—	251	90	87
Insurance security fund	53	41	70	51
Purchase payment for Heilongjiang branch's building (Note13(6))	37	37	37	37
Retirement benefit obligations(1)	128	147	—	—
Investment clearance payment	—	92	—	352
Others	310	375	384	254
Total	1,787	3,223	17,333	3,339
Current	1,324	2,184	16,574	2,821
Non-current	463	1,039	759	518
Total	1,787	3,223	17,333	3,339

(1) Retirement benefit obligations

On July 27, 2010, the Board of Directors reached the resolution to cancel this defined benefit plan. The related plan liabilities was reversed and recognized in profit and loss in the current period. Those who are still employed by the Company or have retired are transferred to the supplementary pension plan. The Company paid for the contributions between November 29, 2008 to July 27, 2010 and the related costs are recognized in profit or loss in the current period.

(i) Retirement benefit liability recorded in consolidated statement of financial position:

	As of December 31, 2008	2009	2010
Actuarial current value of defined benefit obligation	128	150	—
Unrecognized actuarial gains	—	(3)	—
Net liabilities in consolidated statement of financial position	128	147	—

(ii) The movement of current value of benefit obligation:

	For the year ended December 31, 2008	2009	2010
Defined benefit obligation at the beginning of year	—	128	150
Current services cost (exclude interest)	128	15	9
Interest cost	—	5	3
Actual benefit obligation cost	—	(1)	(1)
Actuarial gain or losses	—	3	—
Settlement	—	—	(161)
Defined benefit obligation at ending of year	128	150	—

(iii) Retirement benefit expenses in consolidated statement of comprehensive income:

	For the year ended December 31, 2008	2009	2010
Current services cost (exclude interest)	128	15	9
Interest cost	—	5	3
Actual benefit obligation cost	—	(1)	(1)
Gains on settlement	—	—	(161)
Expenses recognized in consolidated statement of comprehensive income	128	19	(150)

(iv) Significant actuarial assumption for calculating retirement benefit obligations includes:

	As of December 31,		
	2008	2009	2010
Discount rate	3.50%	4.25%	4.25%
Increase rate of salary	—	—	—
Inflation rate for pension benefits	—	—	—
Inflation rate for post-employment medical benefits	4.00%	Before retiring age: 4.00% After retiring age: 8.00%	Before retiring age: 4.00% After retiring age: 8.00%
Retiring age			
Male	Age of 60	Age of 60	Age of 60
Female	Age of 55	Age of 55	Age of 55

The mortality assumptions are determined based on the public information of China Life Insurance Life Mortality Table (2000-2003).

20 TAXATION

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

(1) The amount of income tax charged / (credited) to the consolidated statement of comprehensive income represents:

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Current tax	15	61	25	12	7
Deferred tax	(484)	(71)	(20)	253	268
Income tax	(469)	(10)	5	265	275

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

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Profit before income tax	182	2,651	2,255	842	2,050
Tax computed at the statutory tax rate	46	663	564	210	513
Non-taxable income (i)	(869)	(469)	(613)	(386)	(406)
Expenses not deductible for tax purpose (i)	35	147	89	17	21
Cumulative tax losses utilized	—	(104)	(230)	(27)	(130)
Effect on unrealized deferred tax assets arising from deductible temporary differences	317	(299)	190	445	275
Past due income tax paid	2	52	5	6	2
Income taxes at effective tax rate	(469)	(10)	5	265	275

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

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

Group	Financial assets	Insurance and others	Total
As of January 1, 2008	(4,614)	3,127	(1,487)
Charged / (Credited) to net profit	1,680	(1,196)	484
Charged to other comprehensive income	2,270	(1,268)	1,002
As of December 31, 2008	(664)	663	(1)
As of January 1, 2009	(664)	663	(1)
Charged / (Credited) to net profit	(214)	285	71
Charged to other comprehensive income	(230)	164	(66)
As of December 31, 2009	(1,108)	1,112	4
As of January 1, 2010	(1,108)	1,112	4
Charged / (Credited) to net profit	28	(8)	20
Charged to other comprehensive income	(62)	52	(10)
As of December 31, 2010	(1,142)	1,156	14
As of January 1, 2011	(1,142)	1,156	14
Charged / (Credited) to net profit	112	(380)	(268)
Charged to other comprehensive income	1,196	(931)	265
As of June 30, 2011	166	(155)	11

	As of December 31,			As of June 30,
	2008	2009	2010	2011
Deferred tax assets				
- deferred tax assets to be recovered within 12 months	426	710	872	549
- deferred tax assets to be recovered after more than 12 months	—	131	—	—
Subtotal	426	841	872	549
Deferred tax liabilities				
- deferred tax liabilities to be settled within 12 months	(427)	(837)	(858)	(538)
Subtotal	(427)	(837)	(858)	(538)
Total net deferred income tax assets/ (liabilities)	(1)	4	14	11

Company	Financial assets	Insurance and others	Total
As of January 1, 2008	(4,614)	3,125	(1,489)
Charged / (Credited) to net profit	1,680	(1,196)	484
Charged to other comprehensive income	2,273	(1,268)	1,005
As of December 31, 2008	(661)	661	—
As of January 1, 2009	(661)	661	—
Charged / (Credited) to net profit	(213)	283	70
Charged to other comprehensive income	(234)	164	(70)
As of December 31, 2009	(1,108)	1,108	—
As of January 1, 2010	(1,108)	1,108	—
Charged / (Credited) to net profit	27	(17)	10
Charged to other comprehensive income	(62)	52	(10)
As of December 31, 2010	(1,143)	1,143	—
As of January 1, 2011	(1,143)	1,143	—
Charged / (Credited) to net profit	112	(377)	(265)
Charged to other comprehensive income	1,196	(931)	265
As of June 30, 2011	165	(165)	—

	As of December 31,			As of June 30,
	2008	2009	2010	2011
Deferred tax assets				
- deferred tax assets to be recovered within 12 months	420	705	858	539
- deferred tax assets to be recovered after more than 12 months	—	131	—	—
Subtotal	420	836	858	539
Deferred tax liabilities				
- deferred tax liabilities to be settled within 12 months	(420)	(836)	(858)	(539)
Subtotal	(420)	(836)	(858)	(539)
Total net deferred income tax assets / (liabilities)	—	—	—	—

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

	As of December 31,			As of June 30,
	2008	2009	2010	2011
Deductible temporary differences	1,221	25	786	2,963
Cumulative unused tax losses (a)	2,425	2,010	1,092	571
Total	3,646	2,035	1,878	3,534

(a) The unused tax losses will expire in 2013.

21 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB 1. The Company's number of shares is as follows:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
Number of shares registered, issued and fully paid at RMB1 per share (million)	1,200	1,200	1,200	2,600

Through private placement, the Company issued 1.4 billion new Shares, at a par value of RMB 1 per share and subscription price of RMB 10 per share in 2010. For the year ended December 31, 2010, the Company received the subscription proceeds of RMB 14 billion and such amount was recognized as other liabilities. Upon the approval obtained from CIRC (Baojianfagai [2011] No. 423), the Company completed capital injection in March 2011. The Company recognized RMB 1,400 million under "share capital" and RMB 12,600 million under "share premium" (Note 22).

22 RESERVES

Group	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of January 1, 2008	190	3,578	—	—	3,768
Other comprehensive income	—	(3,011)	—	—	(3,011)
As of December 31, 2008	190	567	—	—	757
Other comprehensive income	—	198	—	—	198
Reserves	—	—	204	204	408
As of December 31, 2009	190	765	204	204	1,363
Other comprehensive income	—	80	—	—	80
Reserves	—	—	223	223	446
As of December 31, 2010	190	845	427	427	1,889
Other comprehensive income	—	(1,871)	—	—	(1,871)
Capital increase (Note 21)	12,600	—	—	—	12,600
As of June 30, 2011	12,790	(1,026)	427	427	12,618

Company	Share premium (a)	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As of January 1, 2008	190	3,578	—	—	3,768
Other comprehensive income	—	(3,020)	—	—	(3,020)
As of December 31, 2008	190	558	—	—	748
Other comprehensive income	—	207	—	—	207
Reserves	—	—	204	204	408
As of December 31, 2009	190	765	204	204	1,363
Other comprehensive income	—	32	—	—	32
Reserves	—	—	223	223	446
As of December 31, 2010	190	797	427	427	1,841
Other comprehensive income	—	(1,871)	—	—	(1,871)
Capital increase (Note 21)	12,600	—	—	—	12,600
As of June 30, 2011	12,790	(1,074)	427	427	12,570

(a) Share premium

Share premium represents the excess of the paid-in capital.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve, the statutory public welfare fund and the discretionary surplus reserve.

(i) Statutory surplus reserve

In accordance with the Company Law and the Company's Article of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve. The Company can cease appropriation when statutory surplus reserve has accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the Company's share capital after approval.

The Company appropriated RMB 204 million and RMB 223 million for the years ended December 31, 2009 and 2010, respectively, to the statutory surplus reserve (for the year ended December 31, 2008: nil).

(ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the Statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated no DSR as of December 31, 2008, 2009, 2010 and June 30, 2011.

(c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by Ministry of Finance of People's Republic of China on March 20, 2007, for the year ended December 31, 2010, the Company appropriated 10% of net profit (2008: nil; 2009: 10% of net profit after offsetting previous years' accumulated losses) to general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment.

23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Gross written premiums					
- Long-term insurance contracts	45,555	63,827	90,145	52,755	49,624
- Short-term insurance contracts	898	1,213	1,534	821	1,038
Subtotal	46,453	65,040	91,679	53,576	50,662
Policy fees					
- Investment contracts	813	382	277	99	181
Gross written premiums and policy fees	47,266	65,422	91,956	53,675	50,843

24 INVESTMENT INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Held-to-maturity financial assets					
- Interest income	2,472	4,406	5,200	2,490	2,685
- Net realized gains	—	—	19	23	—
Available-for-sale financial assets					
- Interest income	1,256	1,134	1,426	725	823
- Dividend income	2,006	330	689	478	714
- Net realized gains / (losses)	494	(106)	1,304	546	807
- Impairment losses on equity securities	(775)	—	(116)	(35)	(113)
Financial assets at fair value through income					
- Interest income	340	57	12	1	25
- Dividend income	3,220	50	74	59	37
- Net fair value gains / (losses)	(8,208)	1,284	(57)	(879)	(309)
Interest income from bank deposit	743	964	1,835	605	2,083
Interest income from loans and receivables	10	12	22	9	22
Interest income from financial assets purchased under agreements to resell	29	2	18	11	34
Reversal of provision for entrusted fund receivable from Minfa Securities (Note 13(4))	—	221	90	78	—
Others	2	8	5	3	5
Total	1,589	8,362	10,521	4,114	6,813
Including:					
Investment income using the effective interest method	4,850	6,575	8,513	3,841	5,672
Investment income / (loss) from listed investment	(1,160)	1,763	1,967	157	1,539
Investment income from unlisted investment	2,749	6,599	8,554	3,957	5,274
Total	1,589	8,362	10,521	4,114	6,813

25 OTHER INCOME

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Government grants (i)	20	—	110	—	—
Rental income from investment property	92	75	61	31	28
Recovery of prepaid investment in Zijin Century (Note 9(1))	—	—	48	48	—
Other	19	89	109	39	73
Total	131	164	328	118	101

(i) Government grants

Government grants were received from Beijing Yanqing Economic Development Zone Management Committee for supporting ordinary operations of the Company.

26 INSURANCE BENEFITS AND CLAIMS

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Gross					
Claims and change in outstanding claims liabilities	389	524	778	319	402
Life insurance death and other benefits	12,510	10,317	12,565	5,638	9,540
Increase in long-term insurance contracts liabilities	24,793	45,907	70,395	42,959	37,400
Total	37,692	56,748	83,738	48,916	47,342
Recovered from reinsurers					
Claims and change in outstanding claims liabilities	(50)	(61)	(76)	(41)	(34)
Life insurance death and other benefits	(10)	(17)	(17)	(8)	(12)
Increase in long-term insurance contracts liabilities	(92)	25	(34)	23	220
Total	(152)	(53)	(127)	(26)	174
Net					
Claims and 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 contracts liabilities	24,701	45,932	70,361	42,982	37,620
Total	37,540	56,695	83,611	48,890	47,516

27 ADMINISTRATIVE EXPENSES

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Employee benefit expenses (including directors' emoluments)(1)	2,388	3,398	4,981	2,480	2,594
Travel and conference fees	758	813	797	287	262
Operating lease expense	236	307	429	175	238
Official fees	606	601	505	221	152
Depreciation and amortization	168	196	223	106	125
Promotional printing cost	215	302	354	138	100
Advertising fees	163	222	116	48	96
Insurance guarantee fund	91	108	151	107	89
Postal fees	156	133	137	52	44
Electronic equipment operating costs	120	134	116	47	24
Vehicle use fees	190	149	110	47	36
Auditors' remuneration	17	13	12	6	6
Others	508	830	479	211	232
Total	5,616	7,206	8,410	3,925	3,998

(1) Employee benefit expenses are presented below:

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Salary and welfare expenses	1,965	3,041	4,503	2,251	2,231
Including:					
Supplementary defined contribution pension expense	33	59	61	21	34
Supplementary medical expense	10	11	12	6	7
Social security costs- pension	122	119	204	79	143
Retirement benefits (Note 19(1))	128	19	(147)	8	—
Housing fund	45	70	115	47	84
Social security costs — other	56	91	211	47	75
Employee education and labor union fees	71	56	82	37	50
Others	1	2	13	11	11
Total	2,388	3,398	4,981	2,480	2,594

28 OTHER EXPENSES / (INCOME)

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Provisions (Note 18)	49	—	144	—	—
Business tax and surcharges	130	116	128	59	92
Exchange losses	80	2	52	3	70
Tax charges and late payment penalties	—	43	3	2	2
Prepayment for Taizhou and Yongzhou Cases (Note 13(3))	—	295	—	—	—
Reversal of provision for prepaid investment in Zijin Century (Note 9(1))	—	—	(300)	(300)	—
Reversal of provision for other receivable from New Industry (Note 3(4))	—	—	—	—	(354)
Others	42	53	120	42	82
Total	301	509	147	(194)	(108)

29 FINANCE COST

Finance cost refers to the interest expenses incurred from the subordinated debts issued by the Company and financial assets sold under agreements to repurchase.

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Interest expenses incurred from the subordinated debts	88	65	6	6	—
Interest expenses incurred from financial assets sold under agreements to repurchase.	288	128	257	56	311
Total	376	193	263	62	311

30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011 are dealt with in the Financial Information of the Group to the extent of RMB 649 million, RMB 2,660 million, RMB 2,249 million, RMB 577 million (unaudited), and RMB 1,775 million, respectively.

31 EARNINGS PER SHARE

(a) Basic

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

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
Net profit attributable to shareholders of the Company (RMB in millions)	649	2,660	2,249	577	1,775
Weighted average number of ordinary shares issued (in millions)	1,200	1,200	1,200	1,200	1,900
Basic earnings per share (RMB)	0.54	2.22	1.87	0.48	0.93

(b) Diluted

The Company has no diluted potential ordinary shares hence diluted earnings per share is same as basic earnings per share for the years ended December 31, 2008, 2009, 2010 and the six months ended June 30, 2010 and 2011.

32 DIVIDEND

No dividend has been paid or declared by the Company or the companies comprising the Group during each of the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 and 2011.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

The table set forth below summarizes the significant related parties of the Company:

Significant related parties	Relationships
New China Asset Management	Subsidiary of the Company
Chongqing New China	Subsidiary of the Company
Yunnan New China	Subsidiary of the Company
New China Xiadu	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Central Huijin Investment Ltd. ("CHI")	Shareholders that has significant influence over the Company
Zurich Insurance Company Ltd [(a)]	Shareholders that has significant influence over the Company
Zurich Technical and Consulting Services (Beijing) Co. Ltd ("Zurich Consulting")	Subsidiary of shareholder that has significant influence over the Company

(a) The Company's shares held by Zurich Insurance Company Ltd decreased from 20% to 15% in the period of six months ended June 30, 2011.

(2) Transactions with significant related parties

The table set forth below summarizes significant related parties' transactions:

	Continuing/ discontinued transaction	For the year ended December 31, 2008	2009	2010	For the six months ended June 30, 2010 (unaudited)	2011
Transactions between the Company and other related parties						
- Capital increase from shareholders (i)	Discontinued	—	—	8,234	—	—
- Interests from bonds issued by the CHI (ii)	Continuing	—	—	4	—	6
- Consulting fees for Zurich Consulting (iii)	Continuing	4	2	3	1	—
Transactions between the Company and its subsidiaries						
- Investment management fee to New China Asset Management (iv)	Continuing	127	151	194	89	107
- Rent earned from New China Asset Management (v)	Continuing	6	6	5	2	3
- Assets purchase payment to New China Asset Management (vi)	Discontinued	—	—	3	—	—
- Commission charged to the Company from agencies (vii)	Continuing	3	3	3	2	1
- Assets and capital transferred to New China Xiadu (viii)	Discontinued	—	—	277	—	—

(i) Capital increase from shareholders

In accordance with shareholders' meeting resolution and Capital Increase Agreement, the Company issued 1.4 billion common shares in 2010 (Note 21). This amount represents the capital increase from shareholders that have significant influence over the Company.

(ii) Bond interest from the CHI

The CHI became shareholder of the Company in 2009 and holds 38.82% of the Company's shares as of December 31, 2009, 2010, and June 30, 2011. The CHI is a state-owned investment company approved by the State Council. The function of the Company is to hold specific equity investment on behalf of the State Council. The CHI exercises the obligation and rights of the specific bank and financial investor on behalf of the state. The Group and Company conduct transactions with other entities that are subject to control, common control or significant influence of the CHI in the business, including deposit, investment trust, sales agency of insurance products and re-insurance transactions, etc.

In 2010, the Company purchased bonds issued by the CHI at a par value of RMB 300 million from inter-bank market. As of June 30, 2011, the carrying value of these bonds is RMB 299 million. The recognized bond interests for the six months ended June 30, 2011 and the year ended December 31, 2010 is RMB 6 million and RMB 4 million (For the year ended December 31, 2009: nil, for the six months ended June 30, 2010: nil).

(iii) Consulting fees for Zurich Consulting

The Company and Zurich Consulting entered into service agreements in 2008 and 2009; whereby Zurich Consulting provided consulting service to the Company up to 2010. For the years ended December 31, 2008, 2009, 2010 and for the six months ended June 30, 2010, the Company paid Zurich Consulting consulting fee at amount of RMB 4 million, RMB 2 million, RMB 3 million and RMB 1 million, respectively (For the six months ended June 30, 2011: nil).

(iv) Investment management service agreement

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted insurance funds in 2008-2011, respectively. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions and transactions in accordance with investment guidance stipulated by the Company. The Company was entitled to all investment returns and bore all losses (subject to negotiation on a case by case basis) from the entrusted insurance funds. The Company pays management fee to New China Asset Management which includes basic service fee and performance fee. The Company has the right to adjust the management fee according to performance of New China Asset Management or breaches of investment guidance, etc.

(v) Office rental contracts

The Company rented parts of New China Life Building to New China Asset Management as its office space.

(vi) Assets transaction with New China Asset Management

The Company entered an agreement with New China Asset Management to purchase fixed assets and intangible assets at book value of RMB 3 million from New China Asset Management.

(vii) Agency contracts

Yunnan New China and Chongqing New China acted as agencies for the Company's individual insurance business. According to the agency contracts, Yunnan New China and Chongqing New China charged commissions at 1% and 2% (for the year ended December 31, 2008: 5% and 2%; for the year ended December 31, 2009: 1% and 2%; for the year ended December 31, 2010: 1% and 2%) of standard premiums they generated.

(viii) Asset transfer with New China Xiadu

During 2010, the Company transferred fixed assets and construction in progress with a carrying value of RMB 163 million, meanwhile, the Company lent New China Xiadu RMB 114 million to pay for land use right and construction of Yanqing Training Center.

(3) Balance of related party transactions

Balance of related party transactions	As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of June 31, 2011
Group				
Interest receivables				
Receivable from investor that has significant influence on the Company				
CHI	—	—	4	10
Other payables				
Payables to investor that has significant influence on the Company				
CHI	—	—	5,434	—
Zurich Insurance Company Ltd	—	—	2,800	—
Company				
Receivables from subsidiaries				
New China Xiadu	159	163	412	415
Yunnan New China	5	5	5	5
Chongqing New China	3	5	6	7
Payables to subsidiaries				
New China Asset Management	21	15	19	19
Yunnan New China	4	4	5	5
Chongqing New China	1	—	—	—

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

(4) Key management's remuneration

Key management members include: directors, supervisors and senior management etc. The key management's remuneration paid by the Company is as follows:

	For the year ended December 31, 2008	For the year ended December 31, 2009	For the year ended December 31, 2010	For the six months ended June 30, 2010 (unaudited)	For the six months ended June 30, 2011
Payroll and welfare (i)	57	83	48	18	21
Retirement benefits obligation (Note19(1))	63	7	—	—	—
Supplementary pension and medical	4	2	6	3	3
Total	124	92	54	21	24

(i) Key management's bonus for the six months ended June 30, 2011 has not yet been approved by the Board.

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance relevant and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group believes that the following captures the material related parties and applied IAS 24 (amendment) exemption and discloses only qualitative information.

As of December 31, 2008, 2009, 2010 and June 30, 2011, most of bank deposits were with state-owned banks; the issuers of debt securities held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the years ended December 31, 2008, 2009, 2010 and for the six months ended June 30, 2010 and 2011, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of bank deposit interest income were from state-owned banks.

34 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

35 COMMITMENTS

(1) Capital commitments

Capital commitments are for purchase of softwares. Management confirms that the Group has sufficient future income or funding to fulfill these capital commitments.

	As of December 31,			As of June 31,
	2008	2009	2010	2011
Contracted but not provided for	27	14	6	4

(2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As of December 31,			As of June 31,
	2008	2009	2010	2011
Within 1 year (including 1 year)	128	151	229	257
Between 1 and 5 years (including 5 years)	193	198	341	359
More than 5 years	2	3	2	1
Total	323	352	572	617

36 INVESTMENT IN SUBSIDIARIES

The Company's subsidiaries are as follow:

	Place of incorporation and operation	Principal activity	Registered and paid-up capital	Group's interest %				Auditors	Year of audit
				As of December 31, 2008	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011		
New China Asset Management	Beijing, China	Asset management	RMB 100 million	95%	97%	97%	97%	Pricewater-houseCoopers Zhong Tian CPAs Limited Company	Financial Year 2008 -2010
Chongqing New China	Chongqing, China	Insurance agency	RMB 5 million	99%	100%	100%	100%	Chongqing Jin Han CPAs Limited Company	Financial Year 2008 -2010
Yunnan New China	Kunming, China	Insurance agency	RMB 5 million	100%	100%	100%	100%	Yunnan Yun-ping CPAs Limited Company	Financial Year 2008 -2010
New China Xiadu	Beijing, China	Training	RMB 1 million	99%	99%	100%	100%	Beijing Yong Hong Sheng CPAs Limited Company	Financial Year 2008, 2010
								Beijing Yong Qin CPAs Limited Company	Financial Year 2009

(a) All companies comprising the Group have adopted December 31 as their financial year end date.

(b) The English names of certain subsidiaries represented the best effort by management of the Company in translating their Chinese names as they do not have official English names.

37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

(1) Directors' emoluments

The Directors receive compensation in the form of directors' fees, salaries, allowances and benefits in kind, bonuses, pension scheme contributions, inducement fees and compensation for loss of office as director. Bonuses represent the variable components in the Directors' compensation and are linked to the performance of the Group and each of the individual Directors.

The aggregate amounts of emoluments of directors of the Company for the year ended December 31, 2008 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
				in RMB thousands			
Bing Sun (President)	—	6,933	2,800	14,998	—	—	24,731
Johnny Chen	—	—	—	—	—	—	—

The aggregate amounts of emoluments of directors of the Company for the year ended December 31, 2009 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
				in RMB thousands			
Bing Sun (President)(i)	—	8,148	5,063	1,099	—	—	14,310
Dian Kang(ii)	—	—	—	—	—	—	—
Haiying Zhao(ii)	—	—	—	—	—	—	—
Xingguo Meng(ii)	—	—	—	—	—	—	—
Haoling Liu(ii)	—	—	—	—	—	—	—
Chengran Wang(ii)	—	—	—	—	—	—	—
Mario Greco(ii)	—	—	—	—	—	—	—
Johnny Chen	—	—	—	—	—	—	—
Guocang Huan(ii)	—	—	—	—	—	—	—
Robert David Campbell(ii)	—	—	—	—	—	—	—
Xianping Chen(ii)	—	—	—	—	—	—	—
Yuzhong Wang(ii)	—	—	—	—	—	—	—
Hongxin Zhang(ii)	—	—	—	—	—	—	—
Hua Zhao(ii)	—	—	—	—	—	—	—

The aggregate amounts of emoluments of directors of the Company for the year ended December 31, 2010 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
				in RMB thousands			
Dian Kang	—	5,882	918	—	—	—	6,800
Zhiguang He(iii)	—	3,603	644	—	—	—	4,247
Haiying Zhao	—	—	—	—	—	—	—
Xingguo Meng	—	—	—	—	—	—	—
Haoling Liu(vi)	—	—	—	—	—	—	—
Xiangdong Liu(vii)	—	—	—	—	—	—	—
Chengran Wang	—	—	—	—	—	—	—
Mario Greco(iv)	—	—	—	—	—	—	—
Johnny Chen	—	—	—	—	—	—	—
Chee Meng Cheong(v)	—	—	—		—	—	—
Guocang Huan	—	—	—	—	—	—	—
Robert David Campbell	200	—	—	—	—	—	200
Xianping Chen	200	—	—	—	—	—	200
Yuzhong Wang	200	—	—	—	—	—	200
Hongxin Zhang	200	—	—	—	—	—	200
Hua Zhao	200	—	—	—	—	—	200

The aggregate amounts of emoluments of directors of the Company for the period ended June 30, 2010 are as follows:

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
				in RMB thousands (unaudited)			
Dian Kang	—	3,215	—	—	—	—	3,215
Zhiguang He(iii)	—	1,158	—	—	—	—	1,158
Haiying Zhao	—	—	—	—	—	—	—
Xingguo Meng	—	—	—	—	—	—	—
Haoling Liu(vi)	—	—	—	—	—	—	—
Chengran Wang	—	—	—	—	—	—	—
Mario Greco(iv)	—	—	—	—	—	—	—
Johnny Chen	—	—	—	—	—	—	—
Chee Meng Cheong(v)	—	—	—	—	—	—	—
Guocang Huan	—	—	—	—	—	—	—
Robert David Campbell	80	—	—	—	—	—	80
Xianping Chen	80	—	—	—	—	—	80
Yuzhong Wang	80	—	—	—	—	—	80
Hongxin Zhang	80	—	—	—	—	—	80
Hua Zhao	80	—	—	—	—	—	80

The aggregate amounts of emoluments of directors of the Company for the period ended June 30, 2011 are as follows:

Name	Directors' fees	Salaries, Allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
				in RMB thousands			
Dian Kang	—	2,684	—	—	—	—	2,684
Zhiguang He	—	2,462	—	—	—	—	2,462
Haiying Zhao	—	—	—	—	—	—	—
Xingguo Meng	—	—	—	—	—	—	—
Xiangdong Liu	—	—	—	—	—	—	—
Chengran Wang	—	—	—	—	—	—	—
Johnny Chen	—	—	—	—	—	—	—
Chee Meng Cheong	—	—	—	—	—	—	—
Guocang Huan	—	—	—	—	—	—	—
Robert David Campbell	150	—	—	—	—	—	150
Xianping Chen	125	—	—	—	—	—	125
Yuzhong Wang	125	—	—	—	—	—	125
Hongxin Zhang	125	—	—	—	—	—	125
Hua Zhao	150	—	—	—	—	—	150

During the relevant period, no director waived or has agreed to waive any emoluments.

(i) Resigned on December 28, 2009.

(ii) Appointed on December 28, 2009.

(iii) Appointed on March 23, 2010. Appointed as President in February 2010.

(iv) Resigned on May 21, 2010.

(v) Appointed on June 29, 2010.

(vi) Resigned on September 30, 2010.

(vii) Appointed on October 14, 2010.

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended December 31, 2008 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
			in RMB thousands			
Juren Wu	5,627	2,490	6,654	—	—	14,771
Ping Wang	1,908	627	—	—	—	2,535

The aggregate amounts of emoluments of supervisors of the Company for the year ended December 31, 2009 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
			in RMB thousands			
Juren Wu	6,398	4,681	1,331	—	—	12,410
Ping Wang	2,140	1,185	—	—	—	3,325

The aggregate amounts of emoluments of supervisors of the Company for the year ended December 31, 2010 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
			in RMB thousands			
Juren Wu(i)	219	—	—	—	—	219
Ping Wang(i)	66	—	—	—	—	66
Jun Chen(ii)	1,607	235	—	—	—	1,842
Bo Ai(ii)	—	—	—	—	—	—
Nansong Zhu(ii)	—	—	—	—	—	—
Xiaojun Chen(ii)	—	—	—	—	—	—
Yiying Liu(iii)	1,619	945	—	—	—	2,564
Tao Zhu(iii)	996	374	—	—	—	1,370
Jing Yang(iii)	558	163	—	—	—	721

The aggregate amounts of emoluments of supervisors of the Company for the period ended June 30, 2010 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
			in RMB thousands (unaudited)			
Juren Wu(i)	219	—	—	—	—	219
Ping Wang(i)	66	—	—	—	—	66
Jun Chen(ii)	—	—	—	—	—	—
Bo Ai(ii)	—	—	—	—	—	—
Nansong Zhu(ii)	—	—	—	—	—	—
Xiaojun Chen(ii)	—	—	—	—	—	—
Yiying Liu(iii)	801	—	—	—	—	801
Tao Zhu(iii)	421	—	—	—	—	421
Jing Yang(iii)	264	—	—	—	—	264

(i) Resigned on January 14, 2010.

(ii) Appointed on January 14, 2010.

(iii) Appointed on January 11, 2010.

The aggregate amounts of emoluments of supervisors of the Company for the period ended June 30, 2011 are as follows:

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
			in RMB thousands			
Jun Chen	2,202	—	—	—	—	2,202
Bo Ai	—	—	—	—	—	—
Nansong Zhu	—	—	—	—	—	—
Xiaojun Chen	—	—	—	—	—	—
Yiying Liu	810	—	—	—	—	810
Tao Zhu	423	—	—	—	—	423
Jing Yang	287	—	—	—	—	287

(3) Five highest paid individuals

For the six months ended June 30, 2011, the five individuals whose emoluments were the highest in the Company include 2 (For the year ended December 31, 2008: 1; for the year ended December 31, 2009: 1; for the year ended December 31, 2010: 1; for the six months ended June 30, 2010:1) directors whose emoluments are reflected in the analysis presented above.

Details of remuneration of the remaining 3 (2008: 4; 2009: 4; 2010: 4; June 2010:4) highest paid individuals are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
	in RMB thousands				
Basic salaries, housing allowances, and other allowances and benefits in kind	14,963	15,645	15,015	8,098	6,288
Retirement benefits obligation	6,654	1,331	—	—	—
Supplementary defined contribution pension	1,550	276	1,019	868	457
Supplementary medical	487	371	451	270	219
Bonus	8,150	20,293	14,193	—	—
Total	31,804	37,916	30,678	9,236	6,964

The emoluments fell within the following bands:

	Number of individuals				
	For the year ended December 31,			For the six months ended June 30,	
	2008	2009	2010	2010	2011
				(unaudited)	
HK$2,000,001 – HK$2,500,000	—	—	—	1	—
HK$2,500,001 – HK$3,000,000	—	—	—	3	3
HK$3,000,001 – HK$3,500,000	—	—	—	—	2
HK$3,500,001 – HK$4,000,000	—	—	—	1	—
HK$6,000,001 – HK$6,500,000	2	—	—	—	—
HK$6,500,001 – HK$7,000,000	1	—	1	—	—
HK$7,000,001 – HK$7,500,000	—	—	1	—	—
HK$7,500,001 – HK$8,000,000	—	—	1	—	—
HK$9,000,001 – HK$9,500,000	—	2	1	—	—
HK$11,000,001 – HK$11,500,000	—	1	—	—	—
HK$12,000,001 – HK$12,500,000	—	—	1	—	—
HK$13,500,001 – HK$14,000,000	—	1	—	—	—
HK$16,500,001 – HK$17,000,000	1	1	—	—	—
HK$28,000,001 – HK$28,500,000	1	—	—	—	—

No emoluments have been paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. No emoluments have been paid by the Company to any of the five highest paid individual as compensation for loss of office.

38 SUBSEQUENT EVENT

The following events took place subsequent to June 30, 2011:

Disposition of Zijin Century

As approved by the 35th meeting of the fourth board of directors and the fifth shareholders' extraordinary general meeting of 2011, the Company planned to dispose of its entire 24% equity interest in Zijin Century through China Beijing Equity Exchange and Shanghai United Assets and Equity Exchange and made an announcement on August 29, 2011. As of the reporting date, the Company had not entered into any definitive agreement in connection with such disposition.

Subordinated Debt Offering

In September 2011, following the approval by the CIRC, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB5 billion. The Company has 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 stepped up 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 the Company's equity capital.

Special Profit Distribution

In October 2011 both the Board and the Company's shareholders passed "the Resolution for the Special Profit Distribution and Public Investor Protection Mechanism of New China Life Insurance Company Ltd." during the 39th meeting of the fourth session of the Board and the sixth shareholders' extraordinary general meeting of 2011, respectively.

Pursuant to this resolution, and to the extent permitted by relevant laws and regulations, the Company will distribute to all of its shareholders the total profit from the disposition of its equity interest in Zijin Century, net of applicable taxes, relevant surplus reserves and provisions pursuant to relevant laws ("Distributable Amount"). If the Distributable Amount from such disposal exceeds RMB1 billion, the Distributable Amount will be the amount for the special dividend distribution. If the Distributable Amount is less than RMB1 billion, the Company will make up for any short-fall from its accumulated profits so that the special dividend distribution will be RMB1 billion. If the disposal of the equity interest in Zijin Century is not completed before June 30, 2012, the Company will appropriate RMB1 billion from its accumulated profits as the amount for the special dividend distribution. If the disposal of the equity interest in Zijin Century is completed before the date of the Company initial public offering ("listing date") of the Company, the special dividend distribution will be shared among all of our existing shareholders before the initial public offering ("existing shareholders"). If the disposal of the equity interest in Zijin Century is completed after the listing date of the Company, the special dividend distribution will be shared among all shareholders at the time of the declaration of the dividend. The Company plans to complete the special dividend distribution before September 30, 2012. Pursuant to the Administrative Provisions on the Solvency Margin of Insurance Companies, when our solvency is inadequate, the CIRC may impose regulatory restrictions on our distribution of dividends.

The existing shareholders have further undertaken that to provide protection to our public investors, after the completion of the above special dividend distribution, they will deposit their share of the special dividend distribution into custodial bank accounts designated by the Company as a "Special Appropriation", to compensate the Company for any actual losses from the Former Chairman misconducts within 36 months from the listing date of the Company, and that are in excess of the impairments or provisions that which have been disclosed in the Accountant's Report. Upon the expiration of the 36 month period, the funds remaining in such custodial bank accounts will be paid out to the existing shareholders. If the disposal of the equity interest in Zijin Century is completed after the listing date of the Company, the amount of the Special Appropriation may be less than RMB1 billion.

III Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2011 up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2011.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong