New China Life Insurance Company Ltd.

新華人壽保險股份有限公司

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

Stock Code: 01336

2018 Annual Report

NCI 新华保险

关爱人生每一天

關愛人生每一天

Care for each and every day

IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.

2. The Annual Report 2018 of the Company was considered and approved at the 32nd meeting of the sixth session of the board of directors of the Company on 20 March 2019, which 13 directors were required to attend and 11 of them attended in person. Director DACEY John Robert authorized director LI Zongjian and independent non-executive director NEOH Anthony Francis authorized independent non-executive director LI Xianglu to attend the meeting and vote on behalf of them.

3. Ernst & Young conducted the audit on the 2018 consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards and issued the standard unqualified audit report.

4. The Company plans to distribute an annual cash dividend of RMB0.77 (tax included) per share to all of H shareholders and A shareholders for 2018, approximately RMB2,402 million in total, representing approximately 30.3% of the net profit attributable to the shareholders of the Company as contained in the financial statements 2018 of the Company, which meets the minimum percentage requirement of cash distribution as stipulated in the Articles of Association. The above dividend distribution plan is subject to the approval of the shareholders at the general meeting.

5. Mr. LI Zongjian, the executive director and acting chairman of the board of directors (the "Board"), Mr. YANG Zheng, the chief financial officer and the person in charge of finance of the Company, Mr. GONG Xingfeng, the chief actuary of the Company and Mr. ZHANG Tao, the officer in charge of the accounting department of the Company guarantee the correctness, accuracy and completeness of the financial report in the Annual Report 2018.

6. In addition to the facts stated herein, this report includes some forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warranty or undertaking as to its future performance. The investors and relevant persons should have adequate awareness of risks and understand the differences between plans, forecasts and undertakings.

7. There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.

8. There is no external guarantee provided by the Company which violates the decision-making procedures of the Company.

9. The major risks of the Company include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc. The Company has taken various measures to effectively manage and control all sorts of risks. Please refer to the "Risk Management" of this annual report for details.

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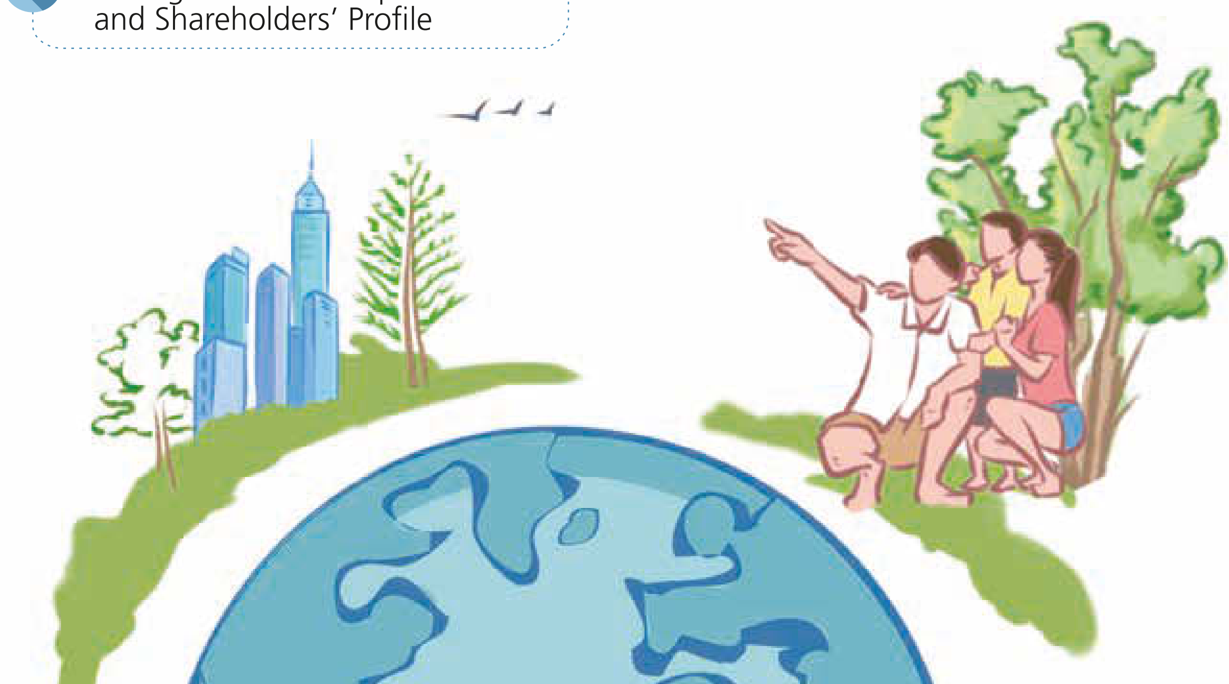


DEFINITIONS

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

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Asset Management Company (Hong Kong)	New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company
Health Technology	New China Village Health Technology (Beijing) Co., Ltd., a subsidiary of the Company
Xinhua Seniors Service	Xinhua Village Seniors Service (Beijing) Co., Ltd., a subsidiary of the Company
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Shanggu Real Estate	Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd., a subsidiary of the Company
New China Health	New China Life Excellent Health Investment Management Co., Ltd.
Electronic Commerce	New China Electronic Commerce Co., Ltd., a subsidiary of the Company
Hefei Supporting Operation	Hefei New China Life Supporting Construction Operation Management Co., Ltd., a subsidiary of the Company
Xinhua Haoran	Xinhua Haoran Construction Technology Co., Ltd., a subsidiary of the Company
Guangzhou Yuerong	Guangzhou Yuerong Project Construction Management Co., Ltd., a subsidiary of the Company
Hainan Seniors	Xinhua Village Seniors Investment Management (Hainan) Co., Ltd., a subsidiary of the Company
Rehabilitation Hospital	New China Excellent Rehabilitation Hospital Co., Ltd., a subsidiary of the Company
Weiyuanzhou	Nanjing Weiyuanzhou Industrial Co., Ltd.
China Jinmao	China Jinmao Holdings Group Limited
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
National Social Security Fund	National Council for Social Security Fund of the People's Republic of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
Pt	Percentage points
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the People's Republic of China
Insurance Law	Insurance Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China

SECTION 1
DEFINITIONS

P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards as promulgated by the International Accounting Standards Board
Interpretation No. 2	Interpretation No. 2 on Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C. on 7 August 2008
Articles of Association	Articles of Association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司
Abbreviation in Chinese: 新華保險

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

Legal Representative: LI Zongjian (Acting Chairman of the Board of Directors and Acting Legal Representative)

Board Secretary/Joint Company Secretary: GONG Xingfeng
Securities Representative: XU Xiu
Tel: 86-10-85213233
Fax: 86-10-85213219
Email: ir@newchinalife.com
Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Joint Company Secretary: LEE Kwok Fai Kenneth
Tel: 852-28220158
Fax: 852-35898359
Email: kenneth.lee@tmf-group.com
Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Registered Office: No.1, East Hunan Road, Yanqing District, Beijing, P.R.C. (The first extraordinary general meeting of 2018 considered and approved the Proposal on the Change in the Registered Address of the Company and the Amendment to the Articles of Association. The registered office of the Company has been changed to No. 16, East Hunan Road, Yanqing District, Beijing, P.R.C. The change in the registered office of the Company is subject to the approval of CBIRC.)
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Postal Code: 100022
Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website: http://www.newchinalife.com
Tel: 86-10-85210000
Email: ir@newchinalife.com
Customer Service and Complaint Tel: 95567

Newspapers for Information Disclosure (A Share): China Securities Journal, Shanghai Securities News
Website for Publishing Annual Reports (A Share): http://www.sse.com.cn
Website for Publishing Annual Reports (H Share): http://www.hkexnews.hk
Place where copies of annual reports are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange
Stock Name for A Share: 新華保險
Stock Code for A Share: 601336
A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, P.R.C.

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 01336
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Domestic Auditor: Ernst & Young Hua Ming LLP
Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, P.R.C.
Signing Certified Public Accountants: GUO Hangxiang and YU Yinyin

International Auditor: Ernst & Young
Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer
Address: 55th Floor, One Island East Taikoo Place, Quarry Bay, Hong Kong

SECTION 3
BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing. New China Life offers comprehensive life insurance products and services to more than 30,904 thousand individual customers and 41 thousand institutional customers through nationwide distributional networks, manages and deploys the insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2011.

Unit: RMB in millions

733,929
Total assets

65,587
Equity attributable to shareholders of the Company

0.77 RMB[1]
Dividend per share

154,167
Operating revenue

7,922
Net profit attributable to shareholders of the Company

4.6 %
Total investment yield

173,151
Embedded value

12,210
Value of one year's new business

274.51 %
Comprehensive solvency margin ratio

Note

1. Subject to approval of the general meeting of shareholders.

MAJOR INDICATORS

Unit: RMB in millions

As at 31 December

	Total assets	Equity attributable to shareholders of the Company	Embedded value
Change	3.3%	2.9%	12.8%
2018	733,929	65,587	173,151
2017	710,275	63,715	153,474

For the year ended 31 December

	Operating revenue	Net profit attributable to shareholders of the Company	Value of one year's new business
Change	7.0%	47.2%	1.2%
2018	154,167	7,922	12,210
2017	144,132	5,383	12,063

Unit: RMB in millions

Key Operational Indicators	2018/As of 31 December 2018	2017/As of 31 December 2017	Changes
Gross written premiums	**122,286**	109,294	11.9%
First year premiums from long-term insurance business	**20,811**	28,618	-27.3%
Regular premiums	**20,734**	28,183	-26.4%
Regular premiums with payment periods of ten years or more	**12,603**	18,311	-31.2%
Renewal premiums	**95,860**	76,725	24.9%
Number of total individual agents (in thousands)	**370**	348	6.3%
Investment assets	**699,826**	688,315	1.7%
Total investment yield (%)	**4.6**	5.2	-0.6pt
Net investment yield (%)	**5.0**	5.1	-0.1pt
Value of one year's new business	**12,210**	12,063	1.2%
New business margin (%)	**47.9**	39.7	8.2pt
Embedded value	**173,151**	153,474	12.8%
Core solvency margin ratio (%)	**269.64**	275.93	-6.29pt
Comprehensive solvency margin ratio (%)	**274.51**	281.67	-7.16pt

HONORS AND AWARDS

Assessment Institution	Honors & Awards
Forbes	Ranking 402 in the World's 2000 Largest Public Companies in 2018
Fortune China	Ranking 60 in China's Fortune 500 in 2018
Moody's Ratings	IFS Rating at A2
Fitch Ratings	IFS Rating at A
World Brand Lab	Ranking 226 in Top 500 Asian Brand in 2018
Brand Finance	Ranking 29 in the World's 100 Most Valuable Insurance Brands in 2018
WPP&Millward Brown	Ranking 45 at BrandZ™ Top 100 Most Valuable China Brands
China Association for Public Companies	Ranking 37 at the Investors' Most Respected Public Companies in 2017
Insurance Association of China	Class A Insurance Company of Legal Entity Operation in 2017
China Association for Quality Promotion	"3•15 National Excellent Demonstration Enterprise of Quality and Integrity Brand" and "Five-star Service Quality Award"
21st Century Business Herald	2018 Asian Excellent Life Insurance Company
Securities Times	The 2018 High Quality Development Insurance Company Ark Award
WWW.CFBOND.COM	The Golden Swallow Award for Outstanding Contribution to the 40th Anniversary of Reform and Opening-up
Insurance Culture	2018 Top 10 Chinese Insurance Company Charities

ANALYSIS OF CORE COMPETITIVENESS

In 2018, the Company was committed to the general principle of making steady progress with its core on protection business. The Company further consolidated the renewal-premium-driven growth model through product innovation, sales team development and system building. The sustainable development and risk control capabilities have been further enhanced.

- **Core business grew rapidly.** The Company carried out the requirements of high-quality development, focused on long-term protection business and continued to implement the strategy of promoting the sales of primary insurance through riders, which laid a foundation for healthy, sustainable and high-quality development of the business.

- **Products saw constant innovation.** The Company enriched health insurance products, updated popular products and developed new products to cover customers' whole life and to forge brand advantages. We launched new riders to fill the market gap, improved our own competitiveness and fully promoted the sales of primary insurance products.

- **The quality and quantity of sales team increased.** The Company was the first to put forward the concept of "risk manager" in the industry, reshaping the professional image and improving the professional knowledge of sales team. The ability to sell complex products was refined through protection business and the habit to sell product portfolio fostered through riders.

- **Operation support drove Company's growth.** Starting with service and focusing on efficiency, the Company deepened the application of science and technology and realized the overall efficiency improvement of underwriting, information updating and claim settlement. We adopted new technologies to enrich customer services, improve service measures and continued to promote customer activities such as "Love Credit Accumulation" to enable customers access to better experience and enhance customer loyalty.

- **Self-operation and management deepened.** The budget management mode in which expenditure is determined by revenue and branches operate independently has been well accepted in the whole Company. Branches paid attention to the coordinated development of short-term performance and long-term efficiency and infrastructure building and basic management further improved, which propelled the continuous optimization of the Company's overall operation efficiency.

- **Operational risks were effectively prevented.** The Company focused on protection business with its core on health insurance and the proportion of high value business gradually increased. The cash flow risks and interest spread risks were well controlled. The Company actively adapted to regulation changes, earnestly met the regulatory requirements, carried out self-inspection and rectification and effectively promoted the further improvement of the comprehensive risk management system.

SECTION 4

THE LETTER TO SHAREHOLDERS

Dear Shareholders,

China faced complex and severe economic and financial situations in 2018. The domestic and international environments for economic operation have undergone profound changes. Great efforts were made in financial industry to forestall risks and to strengthen regulatory inspection and punishment. The insurance industry witnessed negative growth in the jump start period of 2018 after years of rapid development. Under the fickle market environment, the Company stayed committed to the path of high-quality development, actively prevented operational risks, practically strengthened the supply-side reform and improved customer services. As of the end of 2018, the Company's total assets reached RMB733,929 million, increasing by 3.3% year on year. In 2018, the net profit attributable to shareholders of the Company realized RMB7,922 million, increasing by 47.2% year on year. The Company realized the value of one year's new business of RMB12,210 million, growing by 1.2% year on year. In conclusion, the Company has yielded fruitful results in 2018.

First, market ranking moved up. The Company's renewal-premium-driven growth model has achieved remarkable results against a flat premium growth of life insurance industry in 2018. The renewal premiums amounted to RMB95,860 million in 2018, growing by 24.9% year on year, pushing the Company's gross written premiums (**GWP**) to RMB122,286 million, increasing by 11.9% year on year and market ranking rising by 1 place. As of the end of 2018, its net assets reached RMB65,587 million, growing by 2.9% year on year. The high-quality growth model has laid a solid foundation for the Company's long-term, healthy and stable development.

Second, protection business strengthened. In 2018, under the business strategy of "promoting the sales of primary insurance through riders", protection business of the Company has witnessed a rapid growth. The first year premiums (FYP) from long-term health insurance accounted for 58.7% of FYP from long-term insurance business, growing by 26.0 percentage points year on year, which was leading the insurance industry. The increasing coverage of riders propelled the significant improvement of customer's risk prevention. According to the claim settlement data of 2018, the Company handled 1.72 million cases for 1.08 million customers with the total claim payment of RMB8,060 million. The payment for critical illness insurance increased by 39.2% year on year, and the payment for medical insurance rose by 44.0% year on year. The Company's approach to win reputation through claim settlement has achieved initial results.

Third, business quality improved. Benefiting from the development of health insurance and other protection business, the Company's new business margin increased significantly to 47.9%, rising by 8.2 percentage points year on year. Meanwhile, the persistency ratio continued to rise. The 13-month persistency ratio was 90.7%, increasing by 1.3 percentage points year on year. The 25-month persistency ratio was 84.9%, increasing by 1.9 percentage points year on year.

Fourth, sales team strengthened. In 2018, the Company enhanced both the quality and quantity of its sales team and their capabilities to develop protection business significantly improved. As of the end of 2018, the number of total individual agents reached 370,000, growing by 6.3% year on year. The monthly average performance rate was 52.8%, increasing by 6.0 percentage points year on year.

Fifth, customer service optimized. In terms of the products supply, the Company enriched product pipeline and innovated protection services. In respect of primary insurance, the Company upgraded the popular anti-cancer product Kangaiwuyou. As for riders, we launched a new protection type product for cardiovascular and cerebrovascular disease, which has filled the market gap and been popular among customers. **In terms of the service efficiency**, the core operating indicators saw constant improvement. The average time for underwriting has been shortened to 0.56 days, 12.7% shorter than that of last year. The average time for claim settlement has been cut by 11.9% to 2.07 days. The average time for updating information was 1.04 days, ensuring high and stable efficiency. **In terms of the application of new technologies**, buying insurance via WeChat, artificial intelligence Q&A robot, customer follow-up via WeChat, facial recognition, voice recognition and other new technologies have been widely adopted. Customer service efficiency and customer experience have been improved. **In terms of counter building**, 305 new generation customer-service centers were built throughout the whole year and window service significantly improved.

Sixth, investment business remained stable. The Company adhered to a prudent investment philosophy. The total investment yield of 2018 was 4.6% and there was not a single default in investment business of the Company in 2018. The risk management measures in investment business have withstood the market test.

Seventh, industry supply expanded. On the basis of strengthening main business, the Company actively extended to the health and pension industry and further widened customer base. **In the pension industry**, New China Pension has obtained the qualification of investment manager and account manager. Xinhua Seniors Service was put into operation. The seniors lived there have been looked after well. **In the health industry**, 16 health management centers of New China Health have completed construction and offered services for nearly 420,000 people annually. Another 3 health management centers are in the process of construction preparation. At the same time, Rehabilitation Hospital was officially put into operation and qualified for physical examination, which laid a new foundation for the Company's rehabilitation business.

Eighth, public welfare carried on. The Company has promoted the project of donating insurance to sanitation workers across the country and launched targeted poverty alleviation program. In 2018, 515,000 sanitation workers benefited from the project in 56 cities with accumulative sum assured of personal accident insurance worth RMB51,500 million. Forty-five claim cases were settled in 2018 with the total claim payment of RMB4.01 million. The project was highly praised by local governments and regulatory departments and well recognized by sanitation workers. The Company set up cards and files for a total of nearly 30,000 poor households under the targeted poverty alleviation program and the sum assured donated exceeded RMB3,000 million.

SECTION 4
THE LETTER TO SHAREHOLDERS

The path towards high-quality development is the flesh of NCI's growth, while loyalty to the Company, grasping opportunities and courage to fight are the spirits of NCI's development. The integration of both flesh and spirit enabled us to hand over this satisfying answer sheet. On behalf of the Company's management team, I would like to pay tributes to all colleagues and express my sincere gratitude to shareholders, customers, partners and all sectors of society for your attention and support. It is your support that propels the Company to yield results step by step, to successfully transform the growth model and growth driver and to move persistently forward on the path of high-quality development.

Looking ahead, **there exist opportunities in changes and hopes in challenges for the macroeconomy**. In the short term, China's economy faces downward pressure. In the long run, China is still in the important period of strategic opportunities for development. From the perspective of growth driver, domestic demand is still the fundamental. The demands to preserve and increase the value of wealth, maintain health and care for the seniors will create huge space for the development of the insurance industry. **The financial sector will have both loosening and tightening policies**. Monetary policy will be eased or tightened to the right degree, regulation will continue to be strict and reform and opening up in the financial sector will continue to be deepened. There has been stricter regulation since the establishment of CBIRC and the regulatory concept has been further transformed into high-quality development. **The life insurance industry has both inheritance and innovation**. The industry will still be in the process of transformation and development with a rising trend of technology empowerment and industrial synergy. There is a broad prospect for product and service innovation in line with the market trend. In short, there coexist challenges and opportunities, difficulties and hopes in the Company's development. However, opportunities outweigh challenges and hopes outweigh difficulties. The life insurance industry is still in an important period of strategic opportunities with great potential. As long as life insurance companies follow the trend and seize opportunities, they are possible and promising to achieve development in changes, overcome difficulties in challenges and create new splendor in competition.

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China. It will be a crucial year for the country to achieve the first Centenary Goal of building a moderately prosperous society in all respects. China's economy calls for higher-quality development. It is imperative for life insurance industry to embark on the path of high-quality development and to serve the country's high-quality development. In the new year, on the basis of strengthening the main life insurance business, the Company will accelerate its pace of high-quality development, actively extend to the health and pension industry and strive to meet the comprehensive needs to prevent risks for customers.

On the new starting point, the Company will make persistent efforts to actively explore a high-quality development path with NCI characteristics which is in line with market law, the industry trend, and meets customers' demands, and will achieve excellent results in return for your care and support.

Executive Director
LI Zongjian
(Acting Chairman)
20 March 2019

SECTION 5

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

1. The Company's major accounting data and financial indicators

Unit: RMB in millions

Key accounting data	2018	2017	Change	2016	2015	2014
Total revenues	**151,964**	143,082	6.2%	144,796	157,918	142,094
Gross written premiums and policy fees	**122,341**	109,356	11.9%	112,648	111,994	110,067
Profit before income tax	**10,510**	7,330	43.4%	6,482	11,782	7,782
Net profit attributable to shareholders of the Company	**7,922**	5,383	47.2%	4,942	8,601	6,406
Net cash flows from operating activities	**13,768**	7,865	75.1%	7,330	7,449	25,052

	As at 31 December 2018	As at 31 December 2017	Change	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Total assets	**733,929**	710,275	3.3%	699,181	660,560	643,709
Total liabilities	**668,333**	646,552	3.4%	640,056	602,719	595,345
Equity attributable to shareholders of the Company	**65,587**	63,715	2.9%	59,118	57,835	48,359

Key financial indicators	2018	2017	Change	2016	2015	2014
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**2.54**	1.73	46.8%	1.58	2.76	2.05
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**2.54**	1.73	46.8%	1.58	2.76	2.05
Weighted average return on equity attributable to shareholders of the Company	**12.25%**	8.76%	3.49pt	8.45%	16.20%	14.63%
Weighted average net cash flows from operating activities per share (RMB)	**4.41**	2.52	75.0%	2.35	2.39	8.03

	As at 31 December 2018	As at 31 December 2017	Change	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Net assets per share attributable to shareholders of the Company (RMB/share)	**21.02**	20.42	2.9%	18.95	18.54	15.50

2. Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	**2018/ As at 31 December 2018**	2017/ As at 31 December 2017	Change	2016/ As at 31 December 2016	2015/ As at 31 December 2015	2014/ As at 31 December 2014
Investment assets	**699,826**	688,315	1.7%	679,794	635,688	625,718
Total investment yield[1]	**4.6%**	5.2%	-0.6pt	5.1%	7.5%	5.8%
Gross written premiums and policy fees	**122,341**	109,356	11.9%	112,648	111,994	110,067
Increase rate of gross written premiums and policy fees	**11.9%**	-2.9%	14.8pt	0.6%	1.8%	5.8%
Benefits, claims and expenses	**140,755**	134,334	4.8%	137,008	144,814	132,680
Surrender rate[2]	**4.8%**	5.2%	-0.4pt	6.9%	9.3%	9.2%

Notes:

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

2. Surrender rate = Surrenders/(Balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + Premium income of long-term insurance contracts).

3. The reasons of the change of main financial indicators

Unit: RMB in millions

	2018/ As at 31 December 2018	2017/ As at 31 December 2017	**Change**	**Reason(s) for change**
Total assets	**733,929**	710,275	3.3%	The accumulation of insurance business
Total liabilities	**668,333**	646,552	3.4%	The increase of insurance liabilities
Equity in total	**65,596**	63,723	2.9%	The impact of profit for the period
Net profit attributable to shareholders of the Company	**7,922**	5,383	47.2%	Change in discount rate assumption for traditional insurance contract liabilities

4. The discrepancy between the PRC GAAP and IFRS

There is no difference between the consolidated net profit of the Company for the year ended 31 December 2018 and the consolidated equity of the Company as at 31 December 2018 as stated in the consolidated financial statements prepared in accordance with the PRC GAAP and the IFRS.

5. The items and reasons for the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	As at 31 December 2018	As at 31 December 2017	Change	Reason(s) for change
Property, plant and equipment	**11,794**	8,517	38.5%	The purchase of new properties
Investment properties	**7,044**	4,741	48.6%	The purchase of new investment properties
Intangible assets	**3,665**	1,831	100.2%	Increase of land use right
Financial assets measured at fair value through profit or loss	**9,971**	6,532	52.6%	Increase of the allocation of corporate bonds and funds measured at fair value through profit or loss
Term deposits	**64,690**	41,809	54.7%	Increase of allocation of agreement deposit
Statutory deposits	**1,715**	915	87.4%	Increase of paid-in capital of subsidiaries in insurance industry
Financial assets purchased under agreements to resell	**4,318**	2,872	50.3%	The allocation of investment assets and the requirement of liquidity management
Deferred tax assets	**1,777**	36	4836.1%	The increase of deductible temporary differences
Other assets	**4,825**	2,302	109.6%	Increase of receivable from investment clearing account
Unearned premiums liabilities	**1,805**	1,280	41.0%	Increase in short-term insurance business
Financial assets sold under agreements to repurchase	**12,959**	19,925	-35.0%	The allocation of investment assets and the requirement of liquidity management
Benefits, claims and surrenders payable	**5,318**	3,176	67.4%	Increase of maturity and survival benefits payable

SECTION 5

Unit: RMB in millions

Income statement	2018	2017	Change	Reason(s) for change
Premiums ceded out	**(1,932)**	(1,264)	52.8%	Increase of business ceded out
Net change in unearned premiums liabilities	**(407)**	(102)	299.0%	Increase of short-term business
Claims and net change in outstanding claims liabilities	**(2,481)**	(1,763)	40.7%	Increase of short-term business
Other expenses	**(564)**	(891)	-36.7%	Exchange loss was included in this account last year, however, the fluctuation of exchange rate of assets in foreign currency resulted in exchange gain this year, which is no longer included in this account
Finance costs	**(1,103)**	(1,714)	-35.6%	Decrease of the interest expense for bond payable
Income tax expense	**(2,587)**	(1,946)	32.9%	Increase of taxable income
Net profit for the year	**7,923**	5,384	47.2%	Change in discount rate assumption for traditional insurance contract liabilities
Total other comprehensive income for the period, net of tax	**(4,388)**	676	N/A	The decrease in the fair value of available-for-sale financial assets due to the downward trend in the capital market
Total comprehensive income for the year	**3,535**	6,060	-41.7%	The decrease in the fair value of available-for-sale financial assets due to the downward trend in the capital market

II. BUSINESS ANALYSIS

i. Insurance business

In 2018, in the face of complicated changes in macroeconomic situation, insurance industry and regulation situation, the Company has pushed ahead with transformation, strengthened the development of protection business, given full play to the advantages of renewal-premium-driven growth model, promoted the steady growth of GWP, improved the business quality and structure constantly.

First, GWP grew rapidly. In 2018, the Company realized GWP of RMB122,286 million, increasing by 11.9% year on year, which was higher than the overall growth rate of the industry. Given that the growth of annuity business was bleak in the first quarter of 2018, the Company promptly adjusted the market strategy and strengthened the development of protection business. The FYP from long-term insurance business amounted to RMB20,811 million, representing the decrease of 27.3% year on year, which was much lower than early 2018. In 2018, the Company realized the value of one year's new business of RMB12,210 million, increasing by 1.2% year on year. The embedded value reached RMB173,151 million, increasing by 12.8% year on year. And the residual margin[(1)] was RMB195,637 million, increasing by 14.8% compared with RMB170,435 million at the end of last year.

Second, business structure constantly optimized. In terms of premium structure, the renewal premiums contributed 78.4% to GWP, increasing by 8.2 percentage points year on year. The renewal-premium-driven growth model was further consolidated. The first year regular premiums from long-term insurance business accounted for 99.6% of FYP from long-term insurance business. The advantages of transformation were prominent. With respect to term and product structure, FYP from long-term health insurance accounted for 58.7% of the total FYP from long-term insurance business, increasing by 26.0 percentage points year on year. Therefore, the first year premiums from regular premium products with payment periods of ten years or more accounted for 60.8% of first year regular premiums.

Third, business quality improved constantly. The persistency ratio increased, among which 13-month and 25-month persistency ratios of individual life insurance business were 90.7% and 84.9%, increasing by 1.3 and 1.9 percentage points respectively compared with the year 2017. The surrender rate dropped to 4.8%, decreasing by 0.4 percentage points with surrender value down by 2.6% year on year.

Note:

1. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

Unit: RMB in millions

For the year ended 31 December	2018	2017	Change
GWP	**122,286**	109,294	11.9%
First year premiums from long-term insurance business	**20,811**	28,618	-27.3%
Single premiums	**77**	435	-82.3%
Regular premiums	**20,734**	28,183	-26.4%
Regular premiums with payment periods of ten years or more	**12,603**	18,311	-31.2%
Renewal premiums	**95,860**	76,725	24.9%
Premiums from short-term insurance business	**5,615**	3,951	42.1%

Note: To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above changes, premiums in 2017 were restated.

1. *Analysis by distribution channels*

Unit: RMB in millions

For the year ended 31 December	2018	2017	Change
Individual insurance channel			
First year premiums from long-term insurance business	**16,078**	22,097	-27.2%
Regular premiums	**16,020**	21,731	-26.3%
Single premiums	**58**	366	-84.2%
Renewal premiums	**79,808**	63,272	26.1%
Premiums from short-term insurance business	**3,280**	1,914	71.4%
Total	**99,166**	87,283	13.6%
Bancassurance channel			
First year premiums from long-term insurance business	**4,718**	6,487	-27.3%
Regular premiums	**4,714**	6,451	-26.9%
Single premiums	**4**	36	-88.9%
Renewal premiums	**16,043**	13,446	19.3%
Premiums from short-term insurance business	**32**	4	700.0%
Total	**20,793**	19,937	4.3%
Group insurance			
First year premiums from long-term insurance business	**15**	34	-55.9%
Renewal premiums	**9**	7	28.6%
Premiums from short-term insurance business	**2,303**	2,033	13.3%
Total	**2,327**	2,074	12.2%
GWP	**122,286**	109,294	11.9%

Notes:

1. To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above changes, premiums in 2017 were restated.

2. Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In 2018, the individual insurance channel focused on protection business with its core on health insurance and put in place the strategy of "promoting the sales of primary insurance through riders". The individual insurance channel realized premiums of RMB99,166 million, increasing by 13.6% year on year. The first year regular premiums from long-term insurance business amounted to RMB16,020 million, decreasing by 26.3% year on year; and renewal premiums reached RMB79,808 million, growing by 26.1% year on year. Premiums from short-term insurance business reached RMB3,280 million, increasing by 71.4% year on year.

In 2018, the Company was the first to put forward and put into practice the concept of "risk manager" in the industry, reshaping the professional image and improving the professional knowledge of sales team. Their sales abilities were sharpened through protection business and their habits cultivated through riders. Both the quantity and quality of sales team improved steadily. As of the end of 2018, the number of total agents in individual insurance channel reached 370,000, increasing by 6.3% year on year. The monthly average number of performing agents(1) reached 175,000, increasing by 15.9% year on year. The monthly average performance rate(2) was 52.8%, increasing by 6.0 percentage points year on year. Because of the decrease of FYP of annuity insurance, monthly average comprehensive productivity per capita(3) was RMB4,372, decreasing by 24.6% year on year. However, premiums from health insurance have witnessed a rapid growth due to the constant improvement of business structure.

Notes:

1. Monthly average number of performing agents = (∑number of performing agents in a month)/the number of months in the reporting period, where monthly number of performing agents refers to the number of agents who have issued one insurance policy or more (including card-type short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month exceeds zero.

2. Monthly average performance rate = monthly average number of performing agents/monthly average number of agents * 100%. Monthly average number of agents={∑[(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

② Bancassurance channel

In 2018, the bancassurance channel actively expanded cooperation scope and seized development opportunities. Through special cooperation and product upgrading, the bancassurance channel realized premiums of RMB20,793 million, increasing by 4.3% year on year. The first year regular premiums from long-term insurance business amounted to RMB4,714 million, decreasing by 26.9% year on year. Renewal premiums were RMB16,043 million, increasing by 19.3% year on year. The first year regular premiums from long-term insurance business in wealth management channel amounted to RMB1,241 million, decreasing by 46.4% year on year.

(2) Group insurance

In 2018, premiums from group insurance amounted to RMB2,327 million, increasing by 12.2% year on year. The Company continued to develop policy-oriented health insurance in 2018 with premiums from related health insurance amounting to RMB231 million. The business covered 5.877 million customers, increasing by 667,000 people compared with the end of last year.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
GWP	**122,286**	109,294	11.9%
Participating insurance[(2)]	**49,687**	51,860	-4.2%
First year premiums from long-term insurance business	**3,045**	11,755	-74.1%
Renewal premiums	**46,642**	40,105	16.3%
Premiums from short-term insurance business	**–**	–	–
Health insurance	**42,571**	31,262	36.2%
First year premiums from long-term insurance business	**12,221**	9,359	30.6%
Renewal premiums	**26,804**	19,477	37.6%
Premiums from short-term insurance business	**3,546**	2,426	46.2%
Traditional insurance	**28,038**	24,712	13.5%
First year premiums from long-term insurance business	**5,545**	7,503	-26.1%
Renewal premiums	**22,373**	17,104	30.8%
Premiums from short-term insurance business	**120**	105	14.3%
Accident insurance	**1,949**	1,420	37.3%
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**1,949**	1,420	37.3%
Universal insurance[(2)]	**41**	40	2.5%
First year premiums from long-term insurance business	**–**	1	-100.0%
Renewal premiums	**41**	39	5.1%
Premiums from short-term insurance business	**–**	–	–
Unit-linked insurance	**–**	–	–
First year premiums from long-term insurance business	**–**	–	–
Renewal premiums	**–**	–	–
Premiums from short-term insurance business	**–**	–	–

Notes:

1. To better reflect the business structure, the Company separates out the premiums from short-term insurance business. Based on above change, premiums in 2017 were restated.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

3. "–" means less than RMB500,000.

In 2018, the Company strengthened product transformation and witnessed the rapid growth of protection business. The FYP from long-term health insurance reached RMB12,221 million, increasing by 30.6% year on year. Premiums from accident insurance reached RMB1,949 million, increasing by 37.3% year on year.

3. *Analysis by branches*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
GWP	**122,286**	109,294	11.9%
Shandong Branch	**11,617**	9,976	16.4%
Henan Branch	**9,974**	8,678	14.9%
Beijing Branch	**9,451**	9,322	1.4%
Guangdong Branch	**7,707**	7,437	3.6%
Hubei Branch	**6,267**	5,707	9.8%
Zhejiang Branch	**5,899**	5,035	17.2%
Shaanxi Branch	**5,780**	4,896	18.1%
Jiangsu Branch	**5,422**	4,668	16.2%
Inner Mongolia Branch	**5,370**	4,857	10.6%
Hunan Branch	**4,715**	4,232	11.4%
Other Branches	**50,084**	44,486	12.6%

As of the end of 2018, the Company has established 35 provincial branches across the country. In 2018, around 59.0% premiums came from 10 branches in economy-developed or populated regions, such as Shandong, Henan and Beijing.

4. *Operation of the top 5 insurance products in terms of gross written premiums*

Unit: RMB in millions

Rank	Product name	Gross written premiums	Main distribution channel	Surrender value
1	FuxiangYisheng Whole Life annuity insurance (Participating)	10,183	Individual insurance channel	528
2	Jiankangwuyou Type C critical illness insurance	7,482	Individual insurance channel	93
3	Huixinbao Second Generation annuity insurance	6,295	Bancassurance channel	355
4	Jiankangwuyou Type C1 critical illness insurance	4,621	Individual insurance channel	9
5	Multiple Protection critical illness insurance	4,339	Individual insurance channel	8

Rank	Product name	First year premiums
1	Jiankangwuyou Type C1 critical illness insurance	3,835
2	Multiple Protection critical illness insurance	2,951
3	Fuxiang Jinsheng Type A Whole Life annuity insurance (Participating)	2,610
4	Huitianfu annuity insurance	2,480
5	Huitianli endowment insurance	2,081

5. *Business quality and market share*

For the 12 months ended 31 December	2018	2017	Change
Market share[(1)]	**4.7%**	4.2%	0.5pt
Persistency ratio of individual life insurance business			
13-month persistency ratio[(2)]	**90.7%**	89.4%	1.3pt
25-month persistency ratio[(3)]	**84.9%**	83.0%	1.9pt

Notes:

1. Market share is from the data published by CBIRC.

2. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

3. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

6. *Analysis on claim and the interests of policyholders*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
Surrender value	**33,039**	33,906	-2.6%
Insurance benefits and claims	**51,135**	38,379	33.2%
Claims	**2,334**	1,736	34.4%
Annuity benefits	**9,865**	8,031	22.8%
Maturity and survival benefits	**33,885**	24,498	38.3%
Casualty and medical benefits	**5,051**	4,114	22.8%
Claims recoverable	**(754)**	(670)	12.5%
Policy dividend	**126**	4	3050.0%
Net change in insurance contract liabilities	**26,422**	30,866	-14.4%
Total	**109,968**	102,485	7.3%

The surrender value decreased by 2.6% year on year mainly due to the decrease of the surrender of participating products.

The claim payment increased by 34.4% year on year mainly due to the steady rise of the accident insurance and short-term health insurance business.

The annuity benefits increased by 22.8% year on year mainly due to the accumulative increase of annuity business.

The maturity and survival benefits increased by 38.3% year on year mainly due to the rise of the maturity of certain participating products.

Casualty and medical benefits increased by 22.8% year on year mainly due to the steady rise of long-term health insurance business.

7. *Analysis on commission and brokerage expense*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
Commission and brokerage expense[(1)]	**16,708**	15,905	5.0%
Participating insurance[(2)]	**1,816**	4,457	-59.3%
Health insurance	**13,111**	9,373	39.9%
Traditional insurance	**1,143**	1,653	-30.9%
Accident insurance	**637**	416	53.1%
Universal insurance[(2)]	**1**	6	-83.3%

Notes:

1. This item does not include the commission and brokerage expense under non-insurance contracts.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

In 2018, the commission and brokerage expense increased by 5.0% year on year, due to the adjustment of product structure and the increase of first year premiums from long-term health insurance.

8. *Analysis on insurance contract liabilities*

Unit: RMB in millions

Component	As at 31 December 2018	As at 31 December 2017	Change
Unearned premiums liabilities	**1,805**	1,280	41.0%
Outstanding claims liabilities	**1,064**	827	28.7%
Life insurance liabilities	**527,494**	523,016	0.9%
Long-term health insurance liabilities	**64,257**	50,154	28.1%
Insurance contract liabilities in total	**594,620**	575,277	3.4%
Participating insurance[(1)]	**463,222**	459,875	0.7%
Health insurance	**51,693**	38,254	35.1%
Traditional insurance	**78,743**	76,462	3.0%
Accident insurance	**917**	651	40.9%
Universal insurance[(1)]	**45**	35	28.6%
Insurance contract liabilities in total	**594,620**	575,277	3.4%

Note:

1. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

The contract liabilities at the end of 2018 increased by 3.4% compared with the end of 2017 due to the increase of insurance business and the accumulation of insurance liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

ii. Asset management business

The Company continued to stick to prudent and moderate principle in accordance with the liability feature of insurance business and the fluctuation circle of capital market in terms of asset management business. While stressing on investment return and risk management, the Company optimized investment portfolios and sought steady and sustainable returns under projecting the economic situation and investment climate.

In 2018, the total investment yield was 4.6% and the net investment yield was 5.0%. The main reason for the decrease in the total investment yield is the fluctuation of capital market.

The debt financial assets amounted to RMB459,902 million, accounting for 65.7% of total investment assets, decreasing by 1.6 percentage points compared with the end of last year. Credit risks were released at an accelerated pace in capital market and defaults occurred frequently in 2018. The Company attached great importance to risk prevention and safety, closely followed and eliminated the risks of assets and strictly controlled the qualification of newly-added assets, which effectively avoided the impact of credit risks. There has been no single credit risk event occurred throughout the whole year for the Company. The Company grasped the opportunity in bond investment during interest rate changes, increased the allocation of interest rate bonds and railway bonds. We actively invested in financial products and term deposits when the interest rate was high while balancing yield and principal security.

The equity financial assets amounted to RMB116,058 million, accounting for 16.6% of the total investment assets, reducing by 2.5 percentage points compared with the end of last year. The stock market plummeted in 2018 with gloomy mood among investors. The Company was committed to defensive strategy instead of blindly increasing positions in equity financial assets. We continued to take value investment as criterion rather than speculation, adhered to market timing and actively seized the structural opportunities. The Company pursued investment certainty in stock investment, built up investment portfolio through carefully selecting stocks, strengthened the strategic stocks research and grasped the investment opportunity. We enhanced retracement mechanism in fund investment, maintained low volatility and gained earnings through swing trading.

Furthermore, the Company continued to research domestic and abroad equity investment and domestic real estate investment and prudently carried out relevant investment to explore the diversification of asset allocation.

1. *Investment portfolio*

Unit: RMB in millions

As at 31 December	2018 Amount	2018 Proportion	2017 Amount	2017 Proportion	Change
Investment assets	**699,826**	**100.0%**	688,315	100.0%	1.7%
Classified by investment type					
Term deposits[1]	**64,690**	**9.2%**	41,809	6.1%	54.7%
Debt financial assets	**459,902**	**65.7%**	463,468	67.3%	-0.8%
– Bonds	**275,213**	**39.3%**	263,782	38.3%	4.3%
– Trust products	**66,281**	**9.5%**	63,756	9.3%	4.0%
– Debt plans[2]	**39,109**	**5.6%**	40,200	5.8%	-2.7%
– Asset funding plans	**10,000**	**1.4%**	20,000	2.9%	-50.0%
– Others[3]	**69,299**	**9.9%**	75,730	11.0%	-8.5%
Equity financial assets	**116,058**	**16.6%**	131,370	19.1%	-11.7%
– Funds	**42,298**	**6.1%**	49,818	7.3%	-15.1%
– Stocks[4]	**32,243**	**4.6%**	40,112	5.8%	-19.6%
– Others[5]	**41,517**	**5.9%**	41,440	6.0%	0.2%
Investments in associates and joint ventures	**4,792**	**0.7%**	4,896	0.7%	-2.1%
Cash and cash equivalents[1]	**9,005**	**1.3%**	8,812	1.3%	2.2%
Other investment assets[6]	**45,379**	**6.5%**	37,960	5.5%	19.5%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**9,971**	**1.4%**	6,532	0.9%	52.6%
Available-for-sale financial assets	**300,949**	**43.0%**	320,385	46.6%	-6.1%
Held-to-maturity investments	**214,531**	**30.7%**	206,321	30.0%	4.0%
Loans and other receivables[7]	**169,583**	**24.2%**	150,181	21.8%	12.9%
Investment in associates and joint ventures	**4,792**	**0.7%**	4,896	0.7%	-2.1%

Notes:

1. Term deposits exclude those with maturity of three months or less, while cash and cash equivalents include term deposits with maturity of three months or less.

2. Debt plans mainly consist of infrastructure and real estate funding projects.

3. Others include perpetual bonds and wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include equity asset management products, private equity, equity plans and unlisted equity investments and so on.

6. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable and interests receivable, etc.

7. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivable, interests receivable, loans and receivables, etc.

2. *Investment income*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
Interest income from cash and cash equivalents	**138**	113	22.1%
Interest income from term deposits	**2,613**	2,564	1.9%
Interest income from debt financial assets	**23,856**	23,338	2.2%
Dividend income from equity financial assets	**6,235**	6,262	-0.4%
Interest income from other investment assets[1]	**1,486**	1,310	13.4%
Net investment income[2]	**34,328**	33,587	2.2%
Realized gains/(losses) on investment assets	**(932)**	1,766	N/A
Unrealized gains/(losses)	**(379)**	124	N/A
Impairment losses on financial assets	**(1,835)**	(1,097)	67.3%
Share of results of associates and joint ventures	**404**	296	36.5%
Total investment income[3]	**31,586**	34,676	-8.9%
Net investment yield[4]	**5.0%**	5.1%	-0.1 pt
Total investment yield[4]	**4.6%**	5.2%	-0.6 pt

Notes:

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

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

3. Total investment income = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates and joint ventures under equity method.

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

3. *Investment in non-standard assets*

As of the end of 2018, the investment in non-standard assets amounted to RMB226,081 million, accounting for 32.3% of the total investment assets, decreasing by 2.7 percentage points compared with the end of last year. In 2018, the Company allocated in real estate investment plan and collective fund trust plans with eligible return and controllable risk, which increased the overall investment yield of the assets. More than 80% of the existing non-standard assets were invested in industries including financial institutions, real estate, infrastructure and etc. The non-standard assets that the Company held had good credit enhancement measures. In addition to financing entities that regulatory authorities eliminate credit enhancement requirements, most non-standard assets are taken following credit enhancement measures, such as mortgage and pledge, joint guarantee, general guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, so the overall credit risks of the non-standard assets are within control.

(1) Ratings

Excluding commercial banking wealth management products, equity financial products and portfolio insurance asset management products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 95.1%. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	Proportion
AAA	95.1%
AA+	3.2%
AA	1.7%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

As at 31 December 2018	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	184,689	81.7%	-1.2pt	(14,997)
– Trust products	66,281	29.3%	2.8pt	2,525
– Debt plan	39,109	17.3%	0.6pt	(1,091)
– Project asset support plan	10,000	4.4%	-3.9pt	(10,000)
– Wealth management product	64,299	28.5%	-0.8pt	(6,431)
– Perpetual Bond	5,000	2.2%	0.1pt	–
Non-standard equity investments	41,392	18.3%	1.2pt	115
– Asset management plan	13,568	6.0%	-1.4pt	(4,296)
– Private equity	4,443	1.9%	0.2pt	315
– Unlisted equity	18,565	8.2%	2.1pt	3,980
– Equity investment plan	4,700	2.1%	0.2pt	–
– Wealth management product	116	0.1%	0.1pt	116
Total	226,081	100%		(14,882)

SECTION 5

(3) Major management institutions

Unit: RMB in millions

Top 10 management institutions of financial products	Paid Amount	Proportion
Shanghai Pudong Development Bank Co., Ltd.	34,980	15.5%
New China Asset Management Co., Ltd.	20,403	9.0%
Huarong International Trust Co., Ltd.	18,453	8.2%
Industrial Bank Co., Ltd.	16,498	7.3%
Zhongrong International Trust Co., Ltd.	14,543	6.4%
Beijing International Trust Co., Ltd.	8,629	3.8%
Huaneng Guicheng Trust Co., Ltd.	8,194	3.6%
Generali China Asset Management Co., Ltd.	5,697	2.5%
China CITIC Bank Corporation Limited	5,500	2.4%
PICC Capital Investment Management Company Limited	5,070	2.3%
Total	137,967	61.0%

III. ANALYSIS BY COMPONENT

i. Solvency

The Company calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. Solvency margin ratios of a domestic insurance company in PRC must meet the prescribed thresholds as required by CBIRC.

Unit: RMB in millions

	31 December 2018	31 December 2017	Reason(s) for Change
Core capital	**221,299**	192,528	Profit earned for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**225,299**	196,528	
Minimum capital	**82,072**	69,773	Growth and structural change of insurance and investment business
Core solvency margin ratio(1)	**269.64%**	275.93%	
Comprehensive solvency margin ratio(1)	**274.51%**	281.67%	

Note:

1. Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

ii. Liquidity

1) *Gearing Ratio*

	31 December 2018	31 December 2017
Gearing ratio	**91.1%**	91.0%

2) *Liquidity*

Unit: RMB in millions

For the 12 months ended 31 December	2018	2017	Change
Net cash flows from operating activities	**13,768**	7,865	75.1%
Net cash flows from investing activities	**(3,246)**	19,285	N/A
Net cash flows from financing activities	**(10,443)**	(32,362)	-67.7%

The net inflow from operating activities increased by 75.1%, mainly due to the increase of premiums of existing insurance contracts.

The net cash flows from investing activities have turned from net inflow last year to net outflow this year, mainly due to the decrease of cash inflow from disinvestment.

The net outflow from financing activities decreased by 67.7%, mainly due to the decrease of redemption of financial assets sold under agreements to repurchase and bonds.

3) *Source and use of liquidity*

The principal cash inflows of the Company are comprised of insurance premiums, income from investment contracts business, proceeds from sales and maturity of investment assets, and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of contract holders and policyholders, defaults by debtors, as well as the fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provide us with liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB9,005 million. The term deposits of the Company amounted to RMB64,690 million. Substantially all of the Company's term deposits were available for utilization subject to interest losses. Moreover, the investment portfolio of the Company also provided us with liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB459,902 million, and the book value of equity financial assets amounted to RMB116,058 million.

The principal cash outflows of the Company are comprised of the liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, the distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily relate to benefits payments of insurance products, as well as payments for policy surrenders, withdrawals and loans.

The Company believes that its sources of liquidity are sufficient to meet its current cash requirements.

iii. Reinsurance

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd., Beijing Branch and China Life Reinsurance Company Ltd. etc.

Unit: RMB in millions

Premiums ceded out	2018	2017
Swiss Reinsurance Company Ltd. Beijing Branch	**1,093**	831
China Life Reinsurance Company Ltd.	**571**	377
Others[1]	**268**	56
Total	**1,932**	1,264

Note:

1. Others primarily included General Reinsurance AG Shanghai Branch, SCOR SE Beijing Branch, Hannover Rückversicherung AG Shanghai Branch, and Munich Reinsurance Company Beijing Branch and etc.

IV. FUTURE PROSPECT

Looking into the future, China's economy will maintain a long-term positive trend, and the sustained release of domestic demand will provide strong support for the smooth operation of the economy. In 2019, China will intensify its efforts to cut taxes and fees, which will effectively stimulate the resilience, potential and innovation vitality of economic development. The external environment facing the insurance industry will improve with increasing market competition.

From the perspective of regulation, greater requirements can be expected for high-quality development of the industry. The regulator's power has strengthened since the establishment of CBIRC. It is expected that a series of regulatory measures will be launched one after another, and the high-quality development of the industry will speed up. At the same time, risk prevention efforts will also maintain a high-handed posture.

From the perspective of demand, unleash of residents' security demand will accelerate. As residents' income rises, people will have a stronger desire for a better life, and customers' risk awareness and risk prevention ability will gradually improve, and their ability to select insurance products will be further strengthened. Health insurance, accident insurance and other protection businesses will be the industry's biggest growth point. Long-term saving products will continue to rise, and annuity insurance will occupy a certain proportion in the first-year business.

From the perspective of supply, the supply-side reform of the industry will be deepened. Protection-type products will be further enriched and customer service improved. In 2018, transforming product structure, broadening service supply and improving service quality were the main measures for the industry to pursue high-quality development. It is expected that the above measures will be further implemented in 2019, and protection business will see more fierce competition.

In 2019, the Company will resolutely implement the central government's general requirements of "steady growth, structural adjustment, risk prevention", adhere to the general principle of "maintaining steady growth". We will intensify the supply-side reform, give full play to the advantages of life insurance business, strengthen its synergy with health and pension insurance, continue to optimize products pipeline, sales team and service, and explore the path of high-quality development with NCI characteristics to ease the concern of health care, pension and wealth preservation and appreciation for customers.

The Company will take the following measures in 2019:

First, speed up the development of core business. The Company will respond to customer demands in time, enrich the supply of protection products with the "whole-life, comprehensive and family-wide" principle. We will focus on sales of health insurance and riders to lay a solid foundation for deepening product transformation.

Second, strengthen and enlarge the sales team. With an objective to build a team featuring "high performance rate, high retention rate and high productivity", we will continue to forge a team with NCI characteristics and advance the transformation towards "risk managers". On the basis of improving the existing sales team, the Company will actively recruit new agents, strengthen training and enhance management system.

Third, improve customer experience. The Company will apply more new technologies to enhance operation efficiency and expand service to win customers recognition and offer sense of gain.

Fourth, enhance investment management. The Company will stick to prudent investment strategy and proactively prevent and control risks. We will beef up the study of macro-economy, regulatory policies and market trends, grasp investment opportunities and deepen the synergy between assets and liabilities at both strategic and tactical levels.

Fifth, actively and prudently prevent and control risks. The Company will firmly implement the central government's risk prevention requirements, step up efforts to prevent and control risks, continue to improve the risk control system, innovate risk management tools, and clarify risk prevention and control responsibilities while keeping stringent auditing and inspection.

WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCI") has prepared embedded value results for the financial year ended 31 December 2018 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by NCI to review its EV Results as of 31 December 2018. This report is addressed solely to NCI in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

SCOPE OF WORK

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of one year's new business as at 31 December 2018, in the light of the requirements of the " CAA Standards of Actuarial Practice: Appraisal of Embedded Value " issued by the China Association of Actuaries ("CAA") in November 2016;

- A review of the economic and operating assumptions used to calculate the embedded value and the value of one year's new business as at 31 December 2018; and

- A review of the results of NCI's calculation of the EV Results, comprising:

  – the embedded value and the value of one year's new business as at 31 December 2018;

  – the sensitivity tests of the value of in-force business and value of one year's new business as at 31 December 2018; and

  – the analysis of change of the embedded value from 31 December 2017 to 31 December 2018.

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

OPINION

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

- The embedded value methodology used by NCI is consistent with the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;

- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company's current and expected future asset mix and investment strategy;

- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;

- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI's 2018 annual report are consistent with those reviewed by WTW.

For and on behalf of WTW

Mei-Chee Shum, FFA **Benjamin Chen, FSA**

20 March 2019

SECTION 6
EMBEDDED VALUE

1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 31 December 2018 and have disclosed the relevant information in this section.

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

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

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

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

2. DEFINITIONS OF EMBEDDED VALUE

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

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

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

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

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

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

3. KEY ASSUMPTIONS

In determining the value of in-force business and the value of one year's new business as at 31 December 2018, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

(1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of one year's new business is 11.5% p.a.

(2) Investment Returns

The annual investment return assumptions as at 31 December 2018 are shown below for the different funds respectively.

Annual Investment Return Assumptions for VIF and the Value of One Year's New Business as at 31 December 2018

	2019	2020	2021	2022+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	7.60%	7.60%	7.80%	7.90%

Note: Investment return assumptions are applied to calendar year.

(3) Mortality

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 to 2010)".

(5) Discontinuance Rates

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

(6) Expenses

Unit cost assumptions have been developed based on the Company's past actual expense experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

(7) Commission and Handling Fees

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

(8) Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

(9) Tax

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

(10) Cost of Required Capital

It is assumed that 100% of the minimum capital requirement prescribed by the CBIRC is to be held by the Company in the calculation of the value of in-force business and the value of one year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

(11) Other Assumptions

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of one year's new business as at 31 December 2018 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Adjusted Net Worth	**98,892**	93,210
Value of In-Force Business Before Cost of Required Capital Held	**93,183**	79,347
Cost of Required Capital Held	**(18,924)**	(19,083)
Value of In-Force Business After Cost of Required Capital Held	**74,259**	60,264
Embedded Value	**173,151**	153,474

Notes:

1. Numbers may not be additive due to rounding.

2. The impact of major reinsurance contracts has been reflected in the embedded value.

SECTION 6
EMBEDDED VALUE

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Value of One Year's New Business		
Value of One year's New Business Before Cost of Required Capital Held	**14,216**	14,924
Cost of Required Capital Held	**(2,006)**	(2,861)
Value of One year's New Business After Cost of Required Capital Held	**12,210**	12,063

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2018 and 31 December 2017 were RMB25,467 million and RMB30,419 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

Unit: RMB in millions

Valuation Date	**31 December 2018**	31 December 2017
Value of One Year's New Business by Distribution Channel		
Individual insurance channel	**11,725**	11,440
Bancassurance channel	**579**	683
Group insurance channel	**(94)**	(61)
Total	**12,210**	12,063

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premiums used to calculate the value of one year's new business as at 31 December 2018 and 31 December 2017 were RMB25,467 million and RMB30,419 million respectively.

3. The impact of major reinsurance contracts has been reflected in the value of one year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2017 to 31 December 2018, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2017 to 31 December 2018 at a Risk Discount Rate of 11.5%		
1.	**EV at the beginning of period**	153,474
2.	Impact of Value of New Business	12,210
3.	Expected Return	14,129
4.	Operating Experience Variances	3,108
5.	Economic Experience Variances	(5,891)
6.	Operating Assumption Changes	(1,392)
7.	Economic Assumption Changes	(1,096)
8.	Capital Injection/Shareholder Dividend Payment	(1,622)
9.	Others	145
10.	Value Change Other Than Life Insurance Business	88
11.	**EV at the end of period**	173,151

Note: Numbers may not be additive due to rounding.

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.

3. Expected return on adjusted net worth and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses, taxes and etc.) and the assumed at the beginning of the period.

5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital injection and other dividend payment to shareholders.

9. Other miscellaneous items.

10. Value change other than those arising from the life insurance business.

6. SENSITIVITY TESTS

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 31 December 2018	VIF after Cost of Required Capital Held	the Value of One year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	74,259	12,210
Risk Discount Rate at 12%	70,846	11,697
Risk Discount Rate at 11%	77,898	12,756
Investment Return 50bps higher	87,696	13,596
Investment Return 50bps lower	60,770	10,817
Expenses 10% higher (110% of Base)	72,983	11,188
Expenses 10% lower (90% of Base)	75,535	13,232
Discontinuance Rates 10% higher (110% of Base)	72,998	11,596
Discontinuance Rates 10% lower (90% of Base)	75,499	12,837
Mortality 10% higher (110% of Base)	73,556	12,055
Mortality 10% lower (90% of Base)	74,965	12,365
Morbidity and Loss Ratio 10% higher (110% of Base)	71,723	11,382
Morbidity and Loss Ratio 10% lower (90% of Base)	76,802	13,033
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	69,366	12,142

I. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

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

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

II. MAJOR EQUITY INVESTMENT

During the reporting period, the Company had no major equity investment event.

III. MAJOR NON-EQUITY INVESTMENT

During the reporting period, the Company had no major non-equity investment event.

IV. MAJOR ASSET AND EQUITY SALES

During the reporting period, the Company had no major asset and equity sales.

V. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

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

VI. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

To regulate the Company's transaction with Hwabao WP Fund Management Co., Ltd. (Hwabao Fund), the Company entered into the Framework Agreement with Hwabao Fund on 30 September 2018 in relation to the subscription and redemption of fund products publicly offered by Hwabao Fund. The transaction cap amounts to RMB2,000 million. The term takes effect from 30 September 2018 to 29 September 2019.

Hwabao Fund is an indirect subsidiary of China Baowu, a substantial shareholder of the Company, and therefore constitutes a connected person of the Company under Hong Kong Listing Rules.

As the highest applicable percentage ratios for the continuing connected transactions exceed 0.1% and below 5%, such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under the Chapter 14A of Hong Kong Listing Rules.

In consideration of the investment plan of the Company, the board of directors recommended the annual cap of RMB2,000 million, of which the annual cap for the period from 30 September 2018 to 31 December 2018 shall be RMB1,000 million, and the annual cap for the period from 1 January 2019 to 29 September 2019 is RMB1,000 million. The proposed annual cap for the period from 30 September 2018 to 31 December 2018 does not include the actual transaction value for the period from 1 January 2018 to 18 April 2018 (i.e. RMB797 million). The relevant transaction value has been included in the past continuing connected transactions which have been recognized, confirmed and approved by the board of directors.

As of 31 December 2018, the annual cap and actual transaction value of the continuing connected transactions between the Company and Hwabao Fund are set out as follows:

Unit: RMB in millions

	Transaction type	Annual Cap as of 31 December 2018	Transaction Value as of 31 December 2018
Hwabao Fund	All transactions (received and paid)	1,000	779

The independent non-executive directors of the Company have reviewed the agreement and the transactions under the agreement, and confirmed that the transactions in respect of the non-exempt continuing connected transactions listed above:

- To be entered in the ordinary and usual course of business of the Company;
- To be enforced on normal commercial terms; and
- To be carried out according to the relevant transaction agreement, and the terms of the connected transaction be fair and reasonable and in the interests of the Company and its shareholders as a whole;

The auditors of the Company have reviewed the non-exempt continuing connected transactions listed above and provided a letter to the board of directors confirming that there wasn't anything which has come to their attention that causes them to believe that the continuing connected transactions:

- have not been approved by the board of directors of the Company;
- were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve the provision of goods or services by the Company;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- have exceeded the cap disclosed by the Company's announcement.

The board of directors of the Company shall be responsible for managing connected transactions, such as the review of the connected transaction management system, the examination and approval of major connected transactions and the review of the annual report of connected transactions. Appointed by the board of directors of the Company, the Audit Committee is in charge of the management of connected transaction, which is responsible for regularly reviewing annual report of connected transactions. The independent non-executive directors shall examine the fairness of major connected transaction and the implementation of internal review procedures to prevent risks related to connected transactions and safeguard the interests of the Company and its shareholders. The Company regularly compiles reports on the total amount of connected transactions to ensure that the annual cap is not exceeded.

VII. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCE

(I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit.

(II) During the reporting period, there was no major external guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any major guarantee for its subsidiaries.

(III) The utilization of capital of the Company is carried out mainly through entrusted management and the diversified entrusted investment management system in which the internal investors are main players and external investors are supplemental has taken shape. The internal investors include Asset Management Company and Asset Management Company (Hong Kong) and external investors constitute the fund company, asset management section of securities firm and other professional investment management institutions. The Company selects different investment management institutions according to the requirements of asset allocation, risk-return characteristics of different types of assets and the merits of each institution, so as to build diversified investment portfolios and improve the efficiency of capital utilization. The Company enters into the entrusted investment management agreement with each investor, manages the investment behavior through investment guidance, asset custody, dynamic tracking communication, assessment and evaluation measures, and takes targeted risk control measures according to the characteristics of different investors and investment targets.

In 2018, the Company made provisions for asset depreciation for such entrusted assets and recognized asset impairment losses of RMB1,835 million.

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

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

VIII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

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

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

IX. APPOINTMENT OF ACCOUNTING FIRMS

The annual general meeting of 2017 of the Company held on 27 June 2018 considered and approved the Proposal regarding the Appointment of Auditors for the Year 2018, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the international auditor of the Company for the year 2018, respectively. For details, please refer to the Announcement on the Voting Results of the Annual General Meeting of 2017 published by the Company on 27 June 2018. The Company has changed its auditors in 2014, please refer to the Announcement of Proposed Appointment of Auditors published by the Company on 22 January 2014. Ernst & Young Hua Ming LLP and Ernst & Young have been offering auditing services for the Company for the past five years. The Company paid a total amount of RMB16.26 million to the auditors as the 2018 annual service fees for auditing, reviewing and executing agreed-upon procedures of the financial reports and the service fees for the profit tax returns declaration of the year 2017.

Ernst & Young Hua Ming LLP is the accounting firm appointed for the Company's internal control and audit related to the financial statements for the year 2018. The Company paid RMB1.6 million as its 2018 annual internal control and audit service fees related to the financial statements.

X. PENALTY AND RECTIFICATION OF THE COMPANY AND THE COMPANY'S DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER

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

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

XI. OTHER SIGNIFICANT EVENTS

(I) Issuance of domestic and abroad debt financing instruments

To ensure the Company's sufficient solvency and to broaden the financing channels, the ninth meeting of the sixth session of the board of directors held on 24 February 2017 and the first extraordinary meeting of 2017 held on 28 April 2017 agreed that the Company issued domestic debt financing instruments in the amount not exceeding RMB15,000 million or equivalent amount not exceeding US2,000 million dollars in 2017. The shareholders' meeting agreed to authorize the board of directors and the board of directors authorized the senior management of the Company to handle all affairs related to issuance of domestic debt financing instruments after the approval of regulatory authority and considering market situation. The authorization commenced from the approval date of the first extraordinary general meeting of 2017 and ended on the date of the expiry of the annual general meeting of 2019. Please refer to the Announcement on the Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors published on 24 February 2017 and the Announcement on the Voting Results of the First Extraordinary General Meeting of 2017 published on 28 April 2017.

As of the end of the reporting period, the Company did not issue debt financing instruments domestically or abroad.

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

To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. After the ruling of Chongqing Municipal Higher People's Court and the Supreme People's Court, Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution against Beijing Tianhuan Real Estate Development Co., Ltd.. The Company received RMB60.9985 million as a result of the execution in 2018. The case is still in the process of execution.

XII. FULFILL THE SOCIAL RESPONSIBILITY OF POVERTY ALLEVIATION

(I) Targeted Poverty Alleviation Program

New China Life actively implemented the vision of the 19th CPC National Congress, responded to the call of poverty alleviation by CPC central committee and integrated itself into the national strategy of targeted poverty alleviation. Focusing on practically improving service efficiency of insurance-backed poverty alleviation, the specific group and comprehensive protection, the Company improved program research through setting up cards and files in poor counties and villages, established a quarterly review and reporting mechanism and comprehensively helped insurance-backed poverty alleviation program.

(II) Annual Targeted Poverty Alleviation Overview

In 2018, the Company launched "The Road to Prosperity in all Respects • New China Life Accompanying You" targeted poverty alleviation public welfare activity through New China Life Foundation, which helped alleviate poverty mainly through insurance. The planning and implementation of the program has given full play to the advantages of the insurance industry, effectively improved the service efficiency of insurance-backed poverty alleviation and played a positive role in the risk prevention for rural residents.

(III) Targeted Poverty Alleviation Results

As of the end of December 2018, the targeted poverty alleviation program of the Company has been carried out in Caizi town of Longxi county, Gansu province, Shangdu county of Ulanqab city, Inner Mongolia, Bayan county of Harbin, Heilongjiang province, more than 10 poor areas in Guangxi province and Guizhou province. At the same time, New China Life Foundation also carried out various poverty alleviation projects in Jiangxi, Yunnan and other regions. Through New China Life Foundation, the Company has sent insurance protection to more than 30,000 poor households with registered cards and the sum assured donated exceeding RMB3,000 million.

(IV) Follow-up Targeted Poverty Alleviation Program

In 2019, the Company will continue to actively implement the vision of the 19th CPC National Congress, respond to the call of poverty alleviation by CPC central committee to carry out various targeted poverty alleviation through New China Life Foundation. We will further expand the coverage and the benefited of poverty alleviation program, and launch assistance programs focusing on the old, the young, border areas and poor areas, especially in the impoverished areas. By giving full play to the advantages of the insurance industry, we will push poverty alleviation to a new level and contribute to the national targeted poverty alleviation.

Please refer to Corporate Social Responsibility Report 2018 published on Hong Kong Stock Exchange website (www.hkexnews.hk) for the details of fulfilling social responsibility of poverty alleviation of the Company.

I. CHANGES IN SHARE CAPITAL

The share capital of the Company as of 31 December 2018 remained unchanged.

Unit: share

	31 December 2017		Increase or decrease during the reporting year (+, -)					31 December 2018	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Number	Percentage
1. Shares with selling restrictions	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	2,085,439,340	66.85%	-	-	-	-	-	2,085,439,340	66.85%
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H Share)	1,034,107,260	33.15%	-	-	-	-	-	1,034,107,260	33.15%
(4) Others	-	-	-	-	-	-	-	-	-
Total	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%
3. Total number of shares	3,119,546,600	100.00%	-	-	-	-	-	3,119,546,600	100.00%

II. ISSUE AND LISTING OF SECURITIES

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

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

III. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there were 75,639 shareholders of the Company, including 75,353 A shareholders and 286 H shareholders.

As at 28 February 2019, there were 59,611 shareholders of the Company, including 59,327 A share shareholders and 284 H share shareholders.

As of the end of the reporting period, shares held by top ten shareholders:

Unit: share

Name of the shareholders	Character of the shareholders	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
HKSCC Nominees Limited (2)	Overseas legal person shares	33.14	1,033,829,636	-54,820	–	–	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	–	–	–	A
China Baowu Steel Group Corporation Limited	State-owned legal person shares	12.09	377,162,581	–	–	–	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.99	93,339,045	+4,181,068	–	–	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	–	–	–	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.58	18,200,000	–	–	–	A
HKSCC (3)	Overseas legal person shares	0.51	15,969,528	+8,931,174	–	–	A
National Social Security Fund 112 Combination	State-owned legal person shares	0.30	9,202,811	+8,902,811	–	–	A
ICBC-SSE 50 Exchange Traded Fund	Others	0.29	9,101,370	+2,720,837	–	–	A
Bank of Communications Limited-Huaan Strategy Preferred Hybrid Securities Investment Fund	Others	0.29	9,023,064	-360,289	–	–	A
Description of connected relations or concerted action among the aforesaid shareholders	Central Huijin Asset Management Ltd. is a wholly–owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.						

Notes:

1. As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.

2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.

3. Hong Kong Securities Clearing Company (HKSCC) is a nominal holder of stock in the Shanghai-Hongkong Stock Connect.

(II) Controlling shareholder and the actual controller

The controlling shareholder of the Company is Huijin. Huijin is a wholly state-owned company established in Beijing on 16 December 2003 under the Company Law with the approval of the State Council. The registered capital of Huijin is RMB828,209 million. The legal representative of Huijin is Mr. DING Xuedong(1). Huijin, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity, nor does it intervene in the daily operations of the major state-owned financial enterprises which it controls.

Note:

1. Mr. DING Xuedong has been appointed as the deputy secretary general of the State Council and he has authorized Mr. TU Guangshao to act as the acting chairman and legal representative of Huijin with effect from 2 March 2017 until the new appointment is made by the State Council.

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

No.	Company Name	Percentage of Huijin's equity participation
1	Industrial and Commercial Bank of China Limited ★☆	34.71%
2	Agricultural Bank of China Limited ★☆	40.03%
3	Bank of China Limited ★☆	64.02%
4	China Construction Bank Corporation ★☆	57.11%
5	China Everbright Bank Company Limited ★☆	19.53%
6	China Reinsurance (Group) Corporation ☆	71.56%
7	New China Life Insurance Company Limited ★☆	31.34%
8	Shenwan Hongyuan Group Co., Ltd. ★	22.28%
9	China International Capital Corporation Limited ☆	55.68%
10	China Securities Co., Ltd. ★☆	31.21%

Note:

1. ★: a company listed on SSE; ☆: a company listed on HKSE.

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

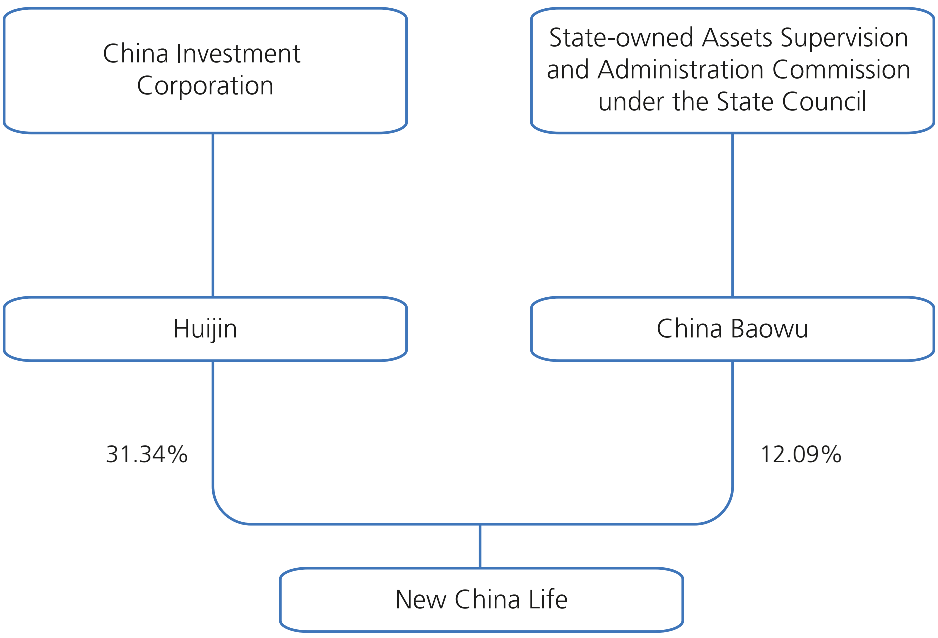
(III) Other corporate shareholders holding 10% or more of the shares in the Company

China Baowu

China Baowu was jointly reorganized by the former Baosteel Group Corporation and Wuhan Iron and Steel (Group) Corporation. China Baowu, established on 1 December 2016 in accordance with law, is a wholly state-owned corporation for which the State-owned Assets Supervision and Administration Commission of the State Council performs the duties of investor on behalf of the State Council. The registered capital of China Baowu is RMB52,790 million. The legal representative of China Baowu is Mr. CHEN Derong. The business scope of China Baowu includes operation of state-owned assets to the extent of authorization by the State Council and relevant investment, operation businesses. (Business operation that involves administrative permit is run with the permit.)

Saved as the disclosed above, as at 31 December 2018, there were no other corporate shareholders holding 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

The following chart sets forth the connections between the Company and the ultimate controllers of the corporate shareholders holding 10% (inclusive) or more of shares in the Company as at 31 December 2018:



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

So far as the directors of the Company are reasonably aware of, as at 31 December 2018, China Baowu held 377,162,581 A shares of the Company, representing 12.09% of the total issued shares of the Company and 18.09% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as at 31 December 2018, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

Unit: share

	Name	Types of shares	Capacity	Number of shares	Percentage of the total shares issued %	Percentage of the A shares Issued %	Percentage of the H shares Issued %	Long Position/ Short Position/ Interest in a lending pool
1	Central Huijin Investment Ltd.	A Share	Beneficial owner	977,530,534	31.34	46.87	–	Long Position
			Interests of Controlled Corporation	28,249,200	0.91	1.35	–	Long Position
2	Swiss Re Ltd	H Share	Interests of Controlled Corporation	77,857,800 (3)	2.50	–	7.53	Long Position
3	Fosun International Holdings Ltd.	H Share	Interests of Controlled Corporation	155,120,200 (4)	4.97	–	15.00	Long Position
4	Fosun International Limited	H Share	Interests of Controlled Corporation	124,018,300	3.98	–	11.99	Long Position
			Beneficial owner	31,101,900 (4)	1.00	–	3.01	Long Position
5	Guo Guangchang	H Share	Interests of Controlled Corporation	155,120,200 (4)	4.97	–	15.00	Long Position
6	BlackRock, Inc	H Share	Interests of Controlled Corporation	57,003,466	1.83	–	5.51	Long Position
				1,985,000 (5)	0.06	–	0.19	Short Position

Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled. Therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.

3. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Mr. GUO Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited and other companies controlled or indirectly controlled by it.

5. BlackRock, Inc holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as of 31 December 2018, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WAN Feng	Chairman	Resigned	Male	April 1958	Since March 2016 until January 2019	276.17	39.57	No
	Executive Director	Resigned			Since November 2014 until January 2019			
LI Zongjian	Acting Chairman	In Office	Male	July 1960	Since January 2019	134.61	62.51	No
	Executive Director	In Office			Since January 2017			
LIU Xiangdong	Non-Executive Director	In Office	Male	June 1969	Since October 2010	–	–	Yes
XIONG Lianhua	Non-Executive Director	In Office	Female	August 1967	Since July 2017	–	–	Yes
YANG Yi	Non-Executive Director	In Office	Male	February 1973	Since July 2018	–	–	Yes
WU Kunzong	Non-Executive Director	In Office	Male	February 1971	Since July 2014	–	–	Yes
HU Aimin	Non-Executive Director	In Office	Male	December 1973	Since June 2016	–	–	Yes
DACEY John Robert	Non-Executive Director	In Office	Male	May 1960	Since August 2014	–	–	Yes
PENG Yulong	Non-Executive Director	In Office	Male	October 1978	Since July 2017	–	–	Yes
LI Xianglu	Independent Non-Executive Director	In Office	Male	November 1949	Since March 2016	26.72	5.28	No
ZHENG Wei	Independent Non-Executive Director	In Office	Male	March 1974	Since March 2016	26.72	5.28	No
CHENG Lie	Independent Non-Executive Director	In Office	Male	September 1955	Since August 2016	22.68	4.32	No
NEOH Anthony Francis	Independent Non-Executive Director	In Office	Male	November 1946	Since September 2016	22.68	4.32	No
GENG Jianxin	Independent Non-Executive Director	In Office	Male	March 1954	Since September 2017	22.68	4.32	No

Notes:

1. The Board received Mr. WAN Feng's resignation letter on 16 January 2019. Mr. WAN Feng resigned as the chairman of the Board and executive director due to his age. The resignation took effect on 16 January 2019.

2. Mr. LI Zongjian was elected to act as the acting chairman of the Board at the 29th meeting of the sixth session of the Board on 16 January 2019 until the new chairman is elected by the Board.

3. Mr. YANG Yi was elected as the non-executive director of the sixth session of the Board at the annual general meeting of 2017 held on 27 June 2018. Mr. YANG Yi's qualification was approved by the CBIRC on 24 July 2018.

4. The remuneration of the directors of the Company was calculated for their relevant term of office during the reporting period.

(II) Supervisors

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after-tax remuneration received from the Company during the period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WANG Chengran	Shareholder Representative Supervisor and Chairman of the Board of Supervisors	In Office	Male	November 1959	Since July 2014	152.06	81.18	No
YU Jianan	Shareholder Representative Supervisor	In Office	Male	March 1973	Since February 2018	–	–	Yes
WANG Zhongzhu	Employee Representative Supervisor	In Office	Male	October 1967	Since March 2016	139.92	55.08	No
BI Tao	Employee Representative Supervisor	In Office	Male	January 1975	Since March 2016	106.35	37.92	No
Anke D'Angelo	Shareholder Representative Supervisor	Resigned	Female	February 1967	Since January 2018 until September 2018	–	–	Yes

Notes:

1. The board of supervisors received Ms. Anke D'Angelo's resignation letter on 18 September 2018. Ms. Anke D'Angelo resigned as the supervisor of the Company due to work reasons. The resignation took effect on 18 September 2018.

2. The remuneration of the supervisors of the Company was calculated for their relevant term of office during the reporting period.

(III) Members of senior management

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

Unit: RMB10,000

Name	Position	Status	Gender	Date of birth	Term of office	Total after tax remuneration received from the Company during the reporting period	Total individual income tax paid during the reporting period	Whether receiving remuneration from related parties during the reporting period
WAN Feng	Chief Executive Officer	Resigned	Male	April 1958	Since March 2016 until January 2019	276.17	39.57	No
	Chief Risk Officer	Resigned			Since July 2017 until January 2019			
LI Zongjian	Vice President	In Office	Male	July 1960	Since January 2017	134.61	62.51	No
	Acting Chief Risk Officer	In Office			Since January 2019			
YANG Zheng	Acting Chief Executive Officer	In Office	Male	May 1970	Since January 2019	159.48	81.31	No
	Vice President	In Office			Since December 2016			
	Chief Financial Officer (Financial Principal)	In Office			Since February 2017			
LIU Yigong	Vice President	In Office	Male	September 1959	Since March 2005	159.54	81.35	No
LI Yuan	Vice President	In Office	Male	August 1962	Since November 2016	134.66	62.56	No
GONG Xingfeng	Vice President	In Office	Male	October 1970	Since November 2016	134.66	62.56	No
	Chief Actuary	In Office			Since September 2010			
	Board Secretary	In Office			Since March 2017			
YU Zhigang	Vice President	In Office	Male	December 1964	Since November 2016	134.66	62.56	No
YUE Ran	Assistant to President	In Office	Male	February 1963	Since February 2013	131.41	60.18	No
YUAN Chaojun	Assistant to President	In Office	Male	April 1972	Since August 2011	111.68	45.68	No
LIU Qiyan	Assistant to President	In Office	Male	May 1963	Since May 2017	111.63	45.63	No
	Chief Human Resource Officer	In Office			Since March 2017			
WANG Lianwen	Assistant to President	In Office	Male	April 1968	Since February 2017	111.62	45.64	No

Notes:

1. Mr. WAN Feng tendered his resignation letter to the Company. He resigned as the chief executive officer, chief risk officer and all other positions of the Company since 16 January 2019.

2. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian has been elected to act as the chief risk officer of the Company, until the new chief risk officer is elected by the Board. Mr. YANG Zheng was designated by the Board to perform the duties of the chief executive officer and the chairman of the Executive Committee of the Company until the appointment of the new chief executive officer and chairman of the executive committee.

3. The date that senior management team takes office is identical to the approval date by the CBIRC or to the appointment date by the Board.

4 The remuneration of members of the senior management was calculated for their relevant term of office during the reporting period.

5. The performance remuneration for the senior management in 2018 is not finalized yet. Relevant details will be separately disclosed later.

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Directors

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

Mr. LI Zongjian (Former name: LI Zhongjian), Chinese

Mr. LI Zongjian has been the executive director and the vice president of the Company since January 2017. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian has been elected to act as the acting chairman of the Board, and chief risk officer of the Company, until the new chairman is elected by the Board. Mr. Li served as the non-executive director of the Company from March 2016 to January 2017. He also successively worked as the director of the comprehensive management department and the second banking institutions department and managing director of the insurance institutions department of Huijin from January 2012 to June 2016. Mr. Li once worked as a deputy general manager, a member of the party committee and the secretary of the discipline inspection commission of Taiping Pension Co., Ltd. from September 2007 to December 2011. Mr. Li was also the secretary general and an executive director of Insurance Society of China and the chief editor of Insurance Studies journal from September 2004 to August 2007. From May 2000 to August 2004, he worked as the deputy director of general office, deputy general manager of investment management center and deputy general manager of development and reform department of China Reinsurance (Group) Corporation. Mr. Li obtained a bachelor's degree in philosophy from Guizhou University in 1982, a master's degree in psychology from Shaanxi Normal University in 1987 and a doctorate degree in law from the sociology department of the graduate school of Chinese Academy of Social Sciences in 1994.

Mr. LIU Xiangdong, Chinese

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

Ms. XIONG Lianhua, Chinese

Ms. XIONG Lianhua has been the non-executive director of the Company since July 2017. Ms. Xiong is currently employed by Huijin, and the director of Asset Management Company and China Export & Credit Insurance Corporation. Ms. Xiong worked as proposed director and division director of the comprehensive management department of Huijin from January to December 2012, and a staff member, a division head and an inspector of deputy director level of People's Bank of China from July 1995 to December 2011. She worked at Huangshi sub-branch of Bank of Communications in Hubei province from October 1990 to September 1993. Ms. Xiong obtained a bachelor's degree in international finance from Wuhan University in July 1990 and a master's degree in monetary banking from Renmin University of China in June 1995.

Mr. YANG Yi, Chinese

Mr. YANG Yi has been the non-executive director of the Company since July 2018. Mr. Yang is currently employed by Huijin. He served as project manager of insurance department and department manager of insurance department/comprehensive department in Sinochem Group, department manager of investment management department, assistant to general manager and department manager of investment management department, deputy general manager and member of the party committee in Sinochem Finance Co., Ltd. from March 2001 to June 2018. Mr.Yang was also the director of Manulife-Sinochem Life Insurance Co., Ltd. and Jiang Tai Insurance Brokers Co., Ltd. at the same time. Mr. Yang is a fellow member of China Association of Actuaries and a fellow member of the Life Office Management Association of the United States. Mr. Yang obtained a bachelor's degree in engineering from Tianjin University in 1995, a master's degree in economics from Nankai University in 1998 and a master's degree in economics from Hong Kong University of Science and Technology in 2000.

Mr. WU Kunzong, Chinese

Mr. WU Kunzong has been the non-executive director of the Company since July 2014. Mr. Wu is the chief financial officer of Baoshan Iron & Steel Co., Ltd. ("Baosteel", a company listed on the SSE, stock code: 600019) and a director of Baosteel Zhanjiang Iron & Steel Co., Ltd., Baosight Co., Ltd. (a company listed on the SSE, stock code: 600845) and Shanghai Rural Commercial Bank Co., Ltd.. Before that, Mr. Wu served as the chief financial officer and the board secretary of Baosteel, the general manager of the operation and finance department and the director of asset management department of Baosteel Group Corporation ("Baosteel Group"). He also successively assumed the post of the head of the audit department of Baosteel Group, the head of the finance department, the systematic innovation department and the audit department of Baosteel. Mr. Wu is a certified public accountant (CPA), an international certified internal auditor (CIA) and a professor-level senior accountant. Mr. Wu obtained a bachelor's degree in engineering from East China Institute of Metallurgy in 1993, a master's degree in management from Shanghai University of Finance and Economics in 2004, and a master's degree in business administration from China Europe International Business School in 2008.

Mr. HU Aimin, Chinese

Mr. HU Aimin has been the non-executive director of the Company since June 2016. Mr. Hu is currently the secretary general of the party committee and senior vice president of Shanghai Baosteel Packaging Co.,Ltd.. He is also the director of Shanghai-Hangzhou Railway Passenger Special Line Co., Ltd, Ouyeel Co., Ltd, Chinese Capital Ride Equity Investment and Management Co., Limited, Baosteel Investment Company Limited (Hong Kong), Shanghai Baosteel Real Estate Asset Management Co., Limited, China Bohai Bank and etc.. Before that, Mr. Hu was the deputy general manager of Shanghai Baosteel Packaging Co.,Ltd., general manager of investment management department in industrial financial development center of China Baowu, general manager of the capital operation department of Hwabao Investment Co., Ltd. (capital operation department of Baosteel Group). He worked as senior manager, professional research fellow, head of investment and merger, deputy general manager and chief manager of financial consultancy of asset management department in Baosteel Group. Mr. Hu obtained a bachelor's degree in economics from Jiangxi University of Finance and Economics in 1995.

Mr. DACEY John Robert, American

Mr. DACEY John Robert has been the non-executive director of the Company since August 2014. Mr. Dacey is the chief financial officer and a member of executive committee of Swiss Re Group. Prior to this, Mr. Dacey served as chief strategy officer and a member of executive committee of Swiss Re Group from November 2012 to March 2018. Mr. Dacey was the chairman of Admin Re® from November 2012 to May 2015 and was the vice chairman for Asia-Pacific, a member of executive committee and the chief executive officer for the headquarters of Japan and Asia-Pacific of AXA from 2007 to 2012; the chief strategy officer and a member of the executive committee of Winterthur Insurance from 2005 to 2007. Mr. Dacey obtained a bachelor's degree in economics from Washington University in St. Louis in 1982 and a master's degree in public policy from Harvard University in 1986.

Mr. PENG Yulong, Chinese

Mr. PENG Yulong has been the non-executive director of the Company since July 2017. Mr. Peng is now the senior assistant to president in Shanghai Fosun Hi-tech (Group) Co., Ltd., the co-president of insurance division, the executive director of Xingheng Insurance Agency, the director of Yong An Property Insurance Company Limited, and the chairman of board of supervisors of Pramerical Fosun. Mr. Peng joined the Fosun Group in 2013, and has successively worked as executive general manager of the financial group, executive general manager, managing director and vice president of insurance division and assistant to president of the Shanghai Fosun Hi-tech (Group) Co., Ltd.. Before that, Mr. Peng was an analyst in the Guotai Junan Securities Co., Ltd. from April 2007 to October 2013. Mr. Peng is a certified public accountant (CPA) and obtained a doctorate degree in management from Shanghai University of Finance and Economics in 2007.

Mr. LI Xianglu, Chinese

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

Mr. ZHENG Wei, Chinese

Mr. ZHENG Wei has been the independent non-executive director of the Company since March 2016. He is the dean of the department of risk management and insurance of the school of economics of Peking University and the secretary general of the China Center for Insurance and Social Security Research, Peking University and the independent non-executive director of Donghai Marine Insurance Co., Ltd., the independent non-executive director of PICC Reinsurance Company Limited, the external supervisor of China CITIC Bank Co., Ltd. (a company listed on the SSE, stock code: 601998 and the HKSE, stock code: 00998) and the independent non-executive director of Shanghai Nanyan Information Technology Co., Limited. Since July 1998, Mr. Zheng has successively worked as teaching assistant, lecturer, vice professor, professor and doctorial supervisor of the school of economics of Peking University. Since March 1999 till now, he has been the assistant to the dean, vice dean and dean of the department of risk management and insurance of the school of economics of Peking University. From August 1999 to January 2000, Mr. Zheng was a visiting scholar at the business school of University of Wisconsin–Madison. Mr. Zheng obtained bachelor's, master's and doctorate degrees in economics from Peking University in 1995, 1998 and 2003 respectively.

Mr. CHENG Lie, Chinese

Mr. CHENG Lie has been the independent non-executive director of the Company since August 2016. Mr. Cheng served as the general manager of the resources integration department of China Life Insurance (Group) Co., Ltd. from May 2013 to January 2016, the general manager of the bancassurance department of China Life Insurance Company Ltd. (a company listed on the New York Stock Exchange, stock code: LFC, the SSE, stock code: 601628, and the HKSE, stock code: 02628) from January 2008 to April 2013. He successively worked as a member of the party committee and the deputy general manager of Hong Kong branch of China Life Insurance (Overseas) Co., Ltd. from June 2006 to December 2007. Mr. Cheng graduated from Jiangxi Industry Polytechnic College (currently "Nanchang University") and holds a senior economist title.

Mr. NEOH Anthony Francis, Chinese (Hong Kong Permanent Resident)

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

Mr. GENG Jianxin, Chinese

Mr. GENG Jianxin has been the independent non-executive director of the Company since September 2017. Mr. Geng currently is a level-2 responsible professor at the accounting department of school of business in Renmin University of China and enjoys the special allowance from the State Council. He also works as the vice president of the China Audit Society, deputy director of the Academic Committee of China Audit Society and the independent non-executive director of Jingjin Environmental Protection Co., Ltd., Beijing Capital Online Technology Co., Ltd. and Jangho Group Company Limited (a company listed on SSE, stock code: 601886). Since July 1993, Mr. Geng has successively worked as associate professor, professor, doctoral supervisor, director of teaching and research section, deputy director of the standing department, secretary of the party committee and chairman of the academic committee of the school of business in Renmin University of China. Mr. Geng graduated from the accounting department of Zhejiang College of Metallurgical Economics in 1981 and obtained a master's degree in economics from Zhongnan University of Finance and Economics in 1988 and a doctorate degree in management from Renmin University of China in 1993.

(II) Supervisors

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

Mr. WANG Chengran, Chinese

Mr. WANG Chengran has been the shareholder representative supervisor and the chairman of the board of supervisors of the Company and the director of Asset Management Company since July 2014. He was the chairman of Hwabao Trust Co., Ltd. from January 2015 to March 2017, the secretary of the party committee of the financial system of Baosteel Group from June 2012 to November 2016, and the secretary of commission for discipline inspection of Ouyeel Co., Ltd. from June 2015 to April 2016. From June 2003 to June 2012, Mr. Wang successively served as the vice director and the director of the asset management department, the business director and director of the asset management department, and the assistant to general manager of Baosteel Group. He also held the position of the chairman of Hwabao Investment Co., Ltd. from June 2009 to January 2010. Mr. Wang holds an economist title. He received a bachelor's degree in economic information management from Renmin University of China in 1982.

Mr. YU Jiannan, Chinese

Mr. YU Jiannan has been the shareholder representative supervisor of the Company since February 2018. Mr Yu. is currently the deputy director of the organization department of the party committee, deputy director of human resources department and managing director of China Investment Corporation. From May 2001 to September 2007, he worked as a senior deputy manager and a senior manager of the human resources department in China Cinda Asset Management Corporation Co., Ltd. (a company listed on the HKSE, stock code: 01359) and was on secondment as vice head of Ledu County, Qinghai Province from November 2005 to January 2007. From July 1996 to May 2001, he worked at Guangdong branch and Guangzhou branch of China Construction Bank. Mr. Yu obtained a bachelor's degree in economics from Guangdong College of Commerce in July 1996.

Mr. WANG Zhongzhu, Chinese

Mr. WANG Zhongzhu has been the employee representative supervisor since March 2016 and has been the general manager of discipline inspection and supervision office of the Company since February 2011. He is also the supervisor of Hefei Supporting Operation, the subsidiary of the Company. Mr. Wang once worked as the supervisor in the following subsidiaries of the Company: New China Pension, Xinhua Seniors Service, Electronic Commerce. Mr. Wang served as a deputy director (preside over work) of the inspection office of the Company from April 2010 to January 2011. He has successively served as a staff member, a deputy principle staff, principle staff, a deputy division director, a disciplinary inspector and a division director in Central Disciplinary Inspection of Communist Party of China from July 1988 to March 2010. Mr. Wang received a bachelor's degree in investment economic management from Zhongnan University of Economics and Law in 1988.

Mr. BI Tao, Chinese

Mr. BI Tao has been the employee representative supervisor since March 2016 and has been the deputy general manager (preside over work) of the eastern audit center, a part of the audit department of the Company since June 2017. He has also been the supervisor of the following subsidiaries of the Company since January 2016: New China Health, Xinhua Seniors Service, Hainan Seniors, Shanggu Real Estate, Electronic Commerce, Hefei Supporting Operation. Mr. Bi joined the Company in October 2003. He successively held various posts including an assistant to the general manager, a deputy general manager of the risk management department of the Shandong branch of the Company, the deputy division head, division head, an assistant to the general manager, and the deputy general manager of the audit department in the headquarters. Mr. Bi received a bachelor's degree in accounting from Shandong Finance College in 1999.

(III) Members of senior management

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

Mr. LI Zongjian, See "II Biographies of directors, supervisors, senior managers – (I) Directors" in this section.

Mr. YANG Zheng, Chinese

Mr. YANG Zheng has been a vice president of the Company since December 2016. He has been the chief financial officer (Financial Principal) since February 2017 and a non-executive director of Asset Management Company since December 2016. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. Yang has been designated to perform the duties of the chief executive officer and the chairman of the Executive Committee of the Company until the appointment of the new chief executive officer and the chairman of the Executive Committee. Prior to joining the Company, Mr. Yang served as the assistant to general manager, the deputy general manager and the general manager of the finance department, the general manager of the investment management department, the chief financial officer and the vice president of the China Life Insurance Company Limited from July 2005 to July 2016. Mr. Yang possesses the qualifications of American Institute of Certified Public Accountants and British Association of Chartered Certified Accountants. He serves as a member of the eighth council of the Accounting Society of China, a member of the National Technical Committee on Accounting Information of Standardization Administration of China, a member of the third session of the China Insurance Solvency Regulatory Standard Committee and a member of the International Financial Reporting Standards (IFRS) Interpretations Committee. Mr. Yang obtained a bachelor's degree in engineering from Beijing University of Technology in 1993 and a master's degree in business administration from Northeastern University in the United States in 2000.

Mr. LIU Yigong, Chinese

Mr. LIU Yigong has been the vice president of the Company since March 2005. He has been the chairman of New China Pension since February 2017. Mr. Liu was the regional general manager of central China from November 2014 to December 2016, the compliance officer of the Company from June 2010 to February 2013, and the general manager of Beijing Branch from November 2004 to March 2007. Mr. Liu holds a senior economist title, and a certified senior enterprise risk manager (CSERM). He received a master's degree in economics from Zhongnan University of Finance and Economics (currently "Zhongnan University of Economics and Law") in 1996.

Mr. LI Yuan, Chinese

Mr. LI Yuan has been the vice president of the Company since November 2016. Since joining the Company in October 2001, Mr. Li successively worked as the assistant to general manager, deputy general manager, general manager and senior general manager of Guangdong branch. Then he was the director of sales management center, director of individual business channel, director of bancassurance channel at headquarters, the regional director and the senior general manager of Beijing branch, the assistant to president and the regional general manager of south China, and the general manager of Guangdong branch. Mr. Li holds a senior economist title. He obtained a master's degree of EMBA from Sun Yat-sen University in 2010.

Mr. GONG Xingfeng, Chinese

Mr. GONG Xingfeng has been the vice president of the Company since November 2016, the chief actuary since September 2010, and the board secretary since March 2017. He has also been the director and the chief actuary of New China Pension since January 2017 and the supervisor of Asset Management Company since January 2018. Since joining the Company in January 1999, Mr. Gong has successively worked as the assistant to general manager of the actuarial department, the deputy general manager of the underwriting and claims settlement department, the general manager of the customer service department, the chief actuary, and the assistant to president. Mr. Gong was the head of investment business of Asset Management Company. Mr. Gong holds a senior economist and an actuary title. He received a master's degree in economics from Central University of Finance and Economics in 1996, and another master's degree in business administration from China Europe International Business School in 2011.

Mr. YU Zhigang, Chinese

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

Mr. YUE Ran, Chinese

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

Mr. YUAN Chaojun, Chinese

Mr. YUAN Chaojun has been the assistant to president of the Company since August 2011 and the general manager of Beijing branch since March 2013. Since joining the Company in November 2002, Mr. Yuan has successively been the general manager of Weifang sub-branch, the assistant to general manager, the deputy general manager, the general manager and the senior general manager of Shandong branch. Then he was the director of the individual business channel at headquarters, assistant to president and the director of the individual business channel, assistant to president and the regional general manager of north China and northeast China, the secretary of the party committee and the general manager of Beijing branch. Mr. Yuan holds the mid-level professional insurance qualification. Mr.Yuan obtained a master's degree in business administration from Zhongnan University of Economics and Law in 2011.

Mr. LIU Qiyan, Chinese

Mr. LIU Qiyan has been the assistant to president of the Company since May 2017 and now he is the chief human resources officer of the Company. Prior to joining the Company, between May 1997 and June 2016, Mr.Liu had successively worked as the staff member of the Inner Mongolia branch of China Life Insurance Company Limited, the secretary of the party committee and the general manager of Manchuria branch, the secretary of the party committee and the general manager of Hulunbeier branch, the secretary of the party committee and the general manager of Hohhot branch, the general manager of human resources department and head of the organization department of the party at headquarters, the secretary of the party committee and the general manager of Hebei branch. Mr. Liu holds a senior economist title. Mr. Liu obtained a bachelor's degree in agriculture from Inner Mongolia Forestry College in 1986 and master's degree in EMBA from Tsinghua University in January 2013.

Mr. WANG Lianwen, Chinese

Mr. WANG Lianwen has been the assistant to president of the Company since February 2017 and now he is the deputy general manager of New China Pension. Since joining the Company in May 2010, Mr. Wang had successively worked as the group business director of the Company, the director of the Company and the regional general manager of northwest China and the general manager of Shaanxi branch of the Company. He is an intermediate accountant and an economist. Mr. Wang received a master's degree in economics from Shanghai University of Finance and Economics in 1995 and a doctorate degree in economics from Fudan University in 2004.

III. POSITIONS OF CURRENT DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT IN CORPORATE SHAREHOLDERS AND OTHER ENTITIES

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

(I) Positions in corporate shareholders

Name	Name of shareholders	Position	Term
LIU Xiangdong	Central Huijin Investment Ltd.	Employee	Since December 2009
XIONG Lianhua	Central Huijin Investment Ltd.	Employee	Since January 2012
YANG Yi	Central Huijin Investment Ltd.	Employee	Since October 2018
WU Kunzong	Baoshan Iron & Steel Co., Ltd.	Chief Financial Officer	Since June 2016
HU Aimin	Shanghai Baosteel Packaging Co., Ltd.	Secretary General of the Party Committee and Senior Vice President	Since November 2018
DACEY John Robert	Swiss Re Group	Chief Financial Officer	Since April 2018
PENG Yulong	Shanghai Fosun Hi-tech (Group) Co., Ltd	Senior Assistant to President	Since January 2019
		Co-president of Insurance Division	Since January 2019
YU Jiannan	China Investment Corporation Limited	Deputy Director of the Organization Department of the Party Committee	Since January 2013
		Deputy Director of Human Resources Department	Since April 2011
		Managing Director	Since July 2014

(II) Major positions in other entities of directors, supervisors and members of senior management who hold posts in corporate shareholders

Name	Name of Other Entities	Position	Term
LIU Xiangdong	China Development Bank	Director	Since October 2018
	China Development Bank Securities Co., Ltd.	Director	Since August 2018
XIONG Lianhua	China Export & Credit Insurance Corporation	Director	Since December 2012
WU Kunzong	Baosteel Zhanjiang Iron & Steel Co., Ltd	Director	Since December 2016
	Shanghai Baosight Software Co., Ltd.	Director	Since July 2017
	Shanghai Rural Commercial Bank Co., Ltd.	Director	Since February 2018

Name	Name of Other Entities	Position	Term
HU Aimin	Shanghai-Hangzhou Railway Passenger Special Line Co., Ltd.	Director	Since January 2015
	Chinese Capital Ride Equity Investment and Management Co., Limited, Shanghai	Director	Since January 2016
	Baosteel Investment Company Limited (Hong Kong)	Director	Since June 2015
	Ouyeel Co., Ltd	Director	Since December 2017
	Shanghai Baosteel Real Estate Asset Management Co., Limited	Director	Since June 2015
	China Bohai Bank	Director	Since September 2018
PENG Yulong	Yong An Property Insurance Company Limited	Director	Since March 2017
	Yadong Xingheng Information Technology Company Limited	Executive Director and General Manager	Since September 2018
	Shanghai Fosun Insurance Industry Investment Management Company Limited	Director	Since December 2015
	Xingheng Insurance Agency	Executive Director	Since September 2016
	Pramerica Fosun	Chairman of Board of Supervisors	Since October 2017

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

During the reporting period, the aggregate amount of after-tax remuneration that directors, supervisors and members of senior management received from the Company is RMB21.1993 million and the total amount of individual income tax paid is RMB8.4725 million. For detailed remuneration of each individual, please refer to "I. Directors, supervisors and members of senior management" in this section.

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

V. SHAREHOLDING OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

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

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

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

At of 31 December 2018, according to the information available to the Company and the information our directors are aware of, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

VI. THE COMPANY'S EMPLOYEES

As of 31 December 2018, there were a total of 38,542 employees who entered into employment contracts with the Company (life insurance headquarters and 35 branches). Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Percentage
Management	1,655	4.29%
Professional	3,253	8.44%
Marketing	23,288	60.42%
Of which: Contractual field sales personnel	14,745	38.26%
Other	10,346	26.84%
Total	38,542	100.00%

(II) Education background

Education background	Number	Percentage
Master's degree	1,398	3.63%
Bachelor's degree	21,495	55.77%
Lower than bachelor's degree	15,649	40.60%
Total	38,542	100.00%

(III) Remuneration policies and training plan for employees

In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the position, ability and performance, the Company encourages employees to steadily achieve and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the P.R.C. government, the Company provides employees with social security and housing fund. At the same time, the Company established a variety of benefit plans for its employees, including corporate annuities to meet the diverse needs of different employee groups.

In 2018, we continued to deepen the transformation of education and training and focused on targets, paid attention to training effectiveness, supported business growth to comprehensively cover internal staff and salesmen, which played a positive role in developing the Company, cultivating qualified staff and improving organizational performance. In 2018, a total of 31,995 training courses were held with 2.268 million attendants. 5,568 full-time and part-time lecturers and 3,392 course authorized lecturers were trained. The training scheme of "standardization, specialization and systematization" has taken initial shape.

I. OVERVIEW OF CORPORATE GOVERNANCE

Pursuant to the Company Law, Insurance Law, Securities Law, Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the Board, the board of supervisors and the senior management, and formed an operation mechanism under which the corporate authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

(I) General meeting

Shareholders' rights

According to the Articles of Association, the general meeting of shareholders is the supreme authority of power of the Company and shall duly perform the following duties: to decide on the Company's operational policies, development strategies and investment plans; to elect and replace directors and supervisors who are representatives of shareholders and to decide the remuneration of directors and supervisors; to examine and approve the Company's proposed annual financial budget plan and final account plan; to examine and approve the Company's profit distribution plan and loss recovery plan; to decide on the increase or reduction of the Company's registered capital; to decide on listing, share repurchase and issue of corporate bonds and other securities; to decide on the merger, division, dissolution, liquidation or change of form of the Company; to decide on the engagement, dismissal and non-reappointment of the Company's accounting firm which conducts regular audit of the Company's financial statements; to examine and amend the Articles of Association, etc.

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

Shareholder(s) shall have the right to make proposals to the general meeting. Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 3% of the shares in the Company may make proposals 10 days prior to the convening of general meeting and submit the proposals to the convener in writing. The content of such proposal shall be within the scope of authority of the general meeting and shall have a clear subject and specific issues to be resolved, and such proposal shall comply with relevant provisions of laws, regulations and the Articles of Association.

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

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

General meetings of shareholders

During the reporting period, the Company held two general meetings in total, the annual general meeting of 2017 on 27 June 2018 and the first extraordinary general meeting of 2018 on 19 December 2018, which considered and approved 13 proposals, including the Proposal on the Profit Distribution Plan for the Year 2017, the Proposal on the Appointment of Accounting Firms for the Year 2018, the Supplemental Proposal on the Election of Non-executive Director of the Sixth Session of the Board and the Proposal on the Change of Registered Office of the Company and Amendment of Provisions of the Articles of Association.

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

Attendance of general meetings of directors

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

Name of director	Number of scheduled attendance	Number of actual attendance	Attendance Rate	Remarks
Executive Directors				
WAN Feng (Resigned)	2	2	100%	
LI Zongjian	2	2	100%	
Non-Executive Directors				
LIU Xiangdong	2	2	100%	
XIONG Lianhua	2	2	100%	
YANG Yi	1	1	100%	
WU Kunzong	2	2	100%	
HU Aimin	2	2	100%	
DACEY John Robert	2	1	50%	Failing to attend the annual general meeting of 2017 for business reasons
PENG Yulong	2	2	100%	
Independent Non-Executive Directors				
LI Xianglu	2	2	100%	
ZHENG Wei	2	2	100%	
CHENG Lie	2	2	100%	
NEOH Anthony Francis	2	2	100%	
GENG Jianxin	2	2	100%	

Note:

During the reporting period, for the details of the Company's newly appointments and resignation of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

(II) Directors and the Board

As of the end of the reporting period, the Board had 14 directors consisting of 2 executive directors, 7 non-executive directors and 5 independent non-executive directors. Directors serve a term of three years and are eligible for re-election, but the consecutive terms of independent non-executive directors shall not exceed six years. For the details of the Company's Board, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

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

Corporate governance functions

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

Duties of the Board and management

In accordance with the Articles of Association, the Board shall perform the following major duties: to convene general meetings and report its work to the general meetings; to implement the resolutions passed at the general meetings; to determine the Company's business and investment plans, to control and supervise the Company's financial position and use of funds; to formulate the Company's development strategies; to prepare the annual financial budget plan and final account plan of the Company; to prepare the profit distribution plan and loss recovery plan of the Company; to formulate the plan for increase or reduction of the Company's registered capital, plan for issue of bonds or other securities and plan for listing; to formulate plans for material acquisitions, share repurchase, merger, division, dissolution or change of form of the Company; to decide on matters including external investments, disposition and write-offs of assets, pledge of assets, acquisition of assets, external guarantees and external donations to the extent of the authorization of shareholders' general meetings; to appoint or remove Company's senior executives, and to decide on and implement the plans concerning annual performance evaluation, annual remuneration, rewards and punishments of senior executives, etc.

According to Articles of Association, the Company established the Executive Committee. The Executive Committee is comprised of senior executives, and its major duties include: to deliver the instructions of the meetings of the Board, and implement the specific tasks and measures of the resolutions of the Board; to implement the plans in connection with material mergers and acquisitions, equity and real estate investments and financings, and assets disposal plans, subject to the authorization by the Board or in accordance with resolutions of the Board, to study on the material decisions of the Company on its operations and provide advice to the Board; to monitor the Company's regular material operations and activities; to manage solvency risks; and to review and evaluate the governance structure of the Company.

Attendance of Board meetings of directors

During the reporting period, the sixth session of the Board held four regular Board meetings and six ad hoc Board meetings. The attendance details are as follows:

Name of director	Number of scheduled attendance	Number of attendance in person	Number of attendance by proxy	Rate of attendance in person	Remarks
Executive Directors					
WAN Feng (Resigned)	10	10	0	100%	
LI Zongjian	10	10	0	100%	
Non-Executive Directors					
LIU Xiangdong	10	10	0	100%	
XIONG Lianhua	10	10	0	100%	
YANG Yi	4	4	0	100%	
WU Kunzong	10	10	0	100%	
HU Aimin	10	10	0	100%	
DACEY John Robert	10	9	1	90%	Failing to attend the 21st meeting of the sixth session of the Board in person for business reasons but appointed chairman WAN Feng to attend and exercise the voting right on his behalf
PENG Yulong	10	10	0	100%	
Independent Non-Executive Directors					
LI Xianglu	10	10	0	100%	
ZHENG Wei	10	10	0	100%	
CHENG Lie	10	10	0	100%	
NEOH Anthony Francis	10	10	0	100%	
GENG Jianxin	10	10	0	100%	

Note:

During the reporting period, for the details of the Company's newly appointments and resignation of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

(III) Board committees under the Board

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

Strategy and Investment Committee

As of the end of the reporting period, the Strategy and Investment Committee of the Board consisted of two executive directors (WAN Feng, LI Zongjian), five non-executive directors (XIONG Lianhua, YANG Yi, HU Aimin, DACEY John Robert, PENG Yulong) and one independent non-executive director (NEOH Anthony Francis), and WAN Feng served as the chairman.

1. Duties of the Strategy and Investment Committee

   The Strategy and Investment Committee performs the following major duties: to consider the Company's overall or special development strategies and annual business plan; to consider the Company's use of funds, investment policies, strategic asset allocation, asset liability management system and annual plan; to review matters relating to the use of insurance funds and asset management rules and guidance as well as investment, acquisition, disposal and mortgage of assets, entrusted wealth management, gifts to third parties, establishment of subsidiaries, among other; to consider the increase or reduction of the Company's registered capital, issue of bonds and other securities, listing and financing plans; to review the dividend distribution and loss recovery plans of the Company, and make recommendations to the Board, etc.

2. Meetings and attendance

   During the reporting period, the Strategy and Investment Committee held eight meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
WAN Feng (Resigned)	8	8	0
LI Zongjian	8	8	0
XIONG Lianhua	8	8	0
YANG Yi	2	2	0
HU Aimin	8	8	0
DACEY John Robert	8	4	4
PENG Yulong	8	8	0
NEOH Anthony Francis	8	8	0

3. Performance of duties of the Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee, in accordance with the Articles of Association and Terms of reference of the Strategy and Investment Committee, reviewed proposals on the work plan of the Company for the year 2018, the comprehensive assessment report of 2017 annual development plan, 2018-2020 capital plan report, 2017 profit distribution plan and amendments to the 13th Five-Year Plan and the Articles of Association, etc., and then issued professional opinions consenting to the submission to the Board for its consideration.

Audit Committee

As of the end of the reporting period, the Audit Committee of the Board consisted of three non-executive directors (LIU Xiangdong, WU Kunzong, PENG Yulong) and four independent non-executive directors (ZHENG Wei, LI Xianglu, CHENG Lie, GENG Jianxin), and ZHENG Wei served as the chairman.

1. Duties of the Audit Committee

The main duties of the Audit Committee include: to assess the effectiveness of risk management and internal control; to guide internal audit; to examine financial information and its disclosure; to investigate misconducts in financial statements and internal control; to supervise and assess the work of external audit institution; to formulate the connected transaction management system, determine the standards for major connected transaction; to review various connected transactions, and submit special reports to the Board in respect of the implementation of the management system and the status of connected transactions; and to provide the Board with the opinions and suggestions for improvement in respect of the adequacy of solvency, etc.

2. Meetings and attendance

During the reporting period, the Audit Committee held eight meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
ZHENG Wei	8	8	0
LIU Xiangdong	8	8	0
WU Kunzong	8	8	0
PENG Yulong	8	8	0
LI Xianglu	8	8	0
CHENG Lie	8	8	0
GENG Jianxin	8	7	1

3. Performance of duties of the Audit Committee

During the reporting period, the Audit Committee, in accordance with the Articles of Association and Terms of Reference of the Audit Committee under the Board, reviewed proposals on the annual report of 2017, the first quarter report of 2018, the interim report of 2018, the third quarter report of 2018, the internal control assessment report of 2017, the internal audit work report of 2017, and the special audit report on connected transactions of 2017, the proposal on the capital increase in New China Pension and connected transaction, the proposal on the appointment of accounting firm for the year 2018 of the Company and then issued professional opinions consenting to the submission to the Board for its consideration.

The Audit Committee, in accordance with the requirements for the preparation of the annual report of the Company and relevant rules of procedure, kept sufficient and timely communication with external auditors; reviewed the financial statements prepared by the Company and offered written comments; offered professional opinions on the annual report of 2017 and agreed to the submission to the Board for its consideration at the third meeting of Audit Committee in 2018.

The Audit Committee paid special attention to the internal control of the Company, and the relevant departments of the Company shall report work to the Audit Committee regularly or irregularly, in order to inform the Audit Committee in a timely manner of any significant issues encountered in the internal control management of the Company.

Nomination and Remuneration Committee

As of the end of the reporting period, the Nomination and Remuneration Committee of the Board consisted of three non-executive directors (XIONG Lianhua, WU Kunzong, DACEY John Robert) and four independent non-executive directors (LI Xianglu, ZHENG Wei, CHENG Lie, NEOH Anthony Francis), and LI Xianglu served as the chairman.

1. Duties of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee performs the following major duties: to formulate the criteria and plans, evaluation measures and remuneration plans of appointing directors and senior management, to evaluate the performance and conducts of directors; to regularly evaluate the reasonableness of the structure, number of positions and composition of the Board and the management team; to conduct preliminary examination of the candidates for the directors, CEO, president (COO) and other senior management positions (including the board secretary) and candidates for the chairman of the board of directors, the chairman of the board of supervisors and president of important subsidiaries; to nominate candidates for members of each Board committee (excluding the Nomination and Remuneration Committee) except for the chairman of such Board committee; to consider the Company's overall human resources and remuneration strategies (including senior management of the Company) and basic systems thereof and make recommendations to the Board.

2. Election of Directors

Shareholders that individually or jointly hold 5% or more of the total voting shares of the Company, or the Nomination and Remuneration Committee under the Board, shall have the right to nominate candidates for directors. The number of candidates for directors that a nominating party proposes to nominate shall not exceed the number of directors proposed to be appointed. Shareholders who individually or jointly hold 3% or more of the shares of the Company may propose the nomination of candidates for independent non-executive directors to the shareholders' general meeting directly, but one shareholder can nominate one independent non-executive director only. The Nomination and Remuneration Committee and the Board of Supervisors may also nominate candidates for independent non-executive directors. The Nomination and Remuneration Committee shall review the candidates for directors pursuant to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and report its opinions to the Board. Directors are elected by the general meeting. Each director shall serve a term of 3 years and may be reelected at the expiration.

3. Board diversity policy

The Resolution Regarding the Formulation of the Board Diversity Policy was passed at the 10th meeting of the fifth session of the Board held on 27 August 2013 by the Board of the Company.

In nominating candidates for directors, the Nomination and Remuneration Committee seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and the term of service. In the meanwhile, it will also take into consideration business model and specific needs of the Company to ensure an appropriate balance in diversity of skills, experience and opinions of the Board members, to increase the efficiency of Board operation and help the Company better serve the customers and shareholders.

Measurable objectives:

(1) At least one-third of the board members are independent non-executive directors;

(2) At least one of the independent non-executive directors of the Company shall possess appropriate professional qualifications or appropriate accounting or relevant financial management expertise.

The Board has achieved its measurable objectives under the board diversity policy:

As of the end of the reporting period, the Board of the Company consisted of 14 directors, including 2 executive directors, 7 non-executive directors and 5 independent non-executive directors. The Board is highly diverse in terms of gender, age, cultural and educational background, race, professional experience, skills, knowledge and service tenure.

4. Meetings and attendance

During the reporting period, the Nomination and Remuneration Committee held five meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LI Xianglu	5	5	0
XIONG Lianhua	5	5	0
WU Kunzong	5	5	0
DACEY John Robert	5	1	4
ZHENG Wei	5	5	0
CHENG Lie	5	5	0
NEOH Anthony Francis	5	5	0

5. Performance of duties of the Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee, in accordance with the Articles of Association and Terms of References of the Nomination and Remuneration Committee, reviewed the proposals on the adjustments to the composition of the Board committees and the annuity plan of the Company, the results of the performance evaluation of senior management for 2017, the scheme of performance evaluation of senior management for 2018 and the Interim Measures on Evaluation of Directors' Performance (《董事履職評價暫行辦法》) and issued professional opinions consenting to the submission to the Board for its consideration.

Risk Management Committee

As of the end of the reporting period, the Risk Management Committee of the Board consisted of one executive director (LI Zongjian), four non-executive directors (LIU Xiangdong, YANG Yi, HU Aimin, DACEY John Robert) and two independent non-executive directors (ZHENG Wei, GENG Jianxin), and LIU Xiangdong served as the chairman.

1. Duties of the Risk Management Committee

The Risk Management Committee performs the following major duties: to review the overall objective, fundamental policy and working system of risk management and internal control, monitor and evaluate its implementation and effect; to review the effectiveness of the risk management and internal control system as well as the function of risk-based internal audit; to examine and amend the Company's principles concerning risk appetite and tolerance; to consider the risk assessment of major resolutions and solutions to major risks; to regularly evaluate the risks of the Company; to review comprehensive risk management reports submitted by risk management departments; to regularly review compliance reports and submit suggestions for improvement to the Board on compliance issues.

2. Meetings and attendance

During the reporting period, the Risk Management Committee held six meetings in total. The attendance details are as follows:

Name of member	Number of scheduled attendance	Number of attendance	Number of absence
LIU Xiangdong	6	6	0
LI Zongjian	6	6	0
XIONG Lianhua	4	4	0
YANG Yi	2	2	0
HU Aimin	6	6	0
DACEY John Robert	6	3	3
ZHENG Wei	6	6	0
GENG Jianxin	6	5	1

3. Performance of duties of the Risk Management Committee

During the reporting period, Risk Management Committee, in accordance with the Articles of Association and the Terms of References of the Risk Management Committee, reviewed proposals on compliance report of the Company of 2017, comprehensive risk management report of 2017, the amendments to the Comprehensive Risk Management Policy (《全面風險管理政策》) and the amendments to Measures for Risk Preference Management (《風險偏好管理辦法》), the formulation of the Statement of Risk Preference for 2018 (《2018年度風險偏好陳述書》), the independent assessment report of solvency risk management of the Company for 2017, and issued professional opinions consenting to the submission to the Board for its consideration.

(IV) Supervisors and Board of Supervisors

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

The Board of Supervisors performs the following duties: to examine the Company's financial activities; to supervise directors and senior management in their performance of duties, and propose the removal of directors and senior management who have contravened any laws, regulations, regulatory documents, the Articles of Association or resolutions at shareholders' general meetings; to nominate independent non-executive directors; to propose to convene an extraordinary general meeting, to convene and preside over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the such meeting under the Articles of Association; to submit proposals to the shareholders' general meeting; to supervise the formulation, implementation and assessment of the development plan of the Company, to review the implementation of the development plan of the Company and put forward relevant supervisory opinions.

The Board of Supervisors' performance of duties is set out in Section 13 "Report of the Board of Supervisors" of this annual report.

(V) Chairman and chief executive officer

The Company established the executive committee system and the position of chief executive officer in February 2013. During the reporting period, Mr. WAN Feng, chairman of the Board, was also the chief executive officer. The Board is of the view that the positions of chairman and chief executive officer being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company.

Meanwhile, the Company has set up an executive committee and eight functional sub-committees, the duties of which have been clearly defined in the Articles of Association and related terms of reference. Major events of the Company have been subject to complete consideration and decision-making procedures. All the above has guaranteed that chairman and chief executive officer performed duties efficiently and diligently.

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

The Board of the Company received Mr. WAN Feng's resignation on 16 January 2019. Due to his age, Mr. WAN Feng resigned as the chairman of the Board, an executive director, chief executive officer and all other positions of the Company with the effect from 16 January 2019. At the 29th meeting of the sixth session of the Board held on 16 January 2019, Mr. LI Zongjian, was elected to act as the acting chairman of the Board until the new chairman is elected by the Board. The Board designated Mr. YANG Zheng to perform the duties of the chief executive officer of the Company until the appointment of the new chief executive officer.

(VI) Company secretary

The Company appointed, externally, Mr. LEE Kwok Fai Kenneth to succeed Ms. MOK Ming Wai as the joint company secretary of the Company on 28 August 2018. The main contact person of Mr. LEE in the Company is Mr. GONG Xingfeng, the board secretary and joint company secretary of the Company. The contact information of Mr. GONG Xingfeng is set out in Section 2 "Corporate Information" of this annual report.

During the reporting period, both Mr. GONG Xingfeng and Mr. LEE Kwok Fai Kenneth attended relevant professional training for no less than 15 hours.

(VII) Training and research of directors

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

In addition, the Company has arranged the directors to participate in trainings on insurance policy, regulations and professional knowledge at the Company's expenses. During the reporting period, Chairman WAN Feng, director LI Zongjian, XIONG Lianhua, YANG Yi, PENG Yulong, DACEY John Robert, CHENG Lie and GENG Jianxin participated in the special training for directors and supervisors of listed companies in Beijing. All directors were arranged to participate in online training on code of corporate governance and training on connected transaction rules held by Hong Kong Stock Exchange. They also learned relevant materials of the Company's compliance training.

During the reporting period, directors of the Company conducted on-site surveys in Sichuan, Chongqing, Heilongjiang, Jilin, Liaoning and other branches, and made reports to the management team of the Company after digging into branches' operation and problems, which advanced the Company's transformation and development, enhanced risk control capability and improved branches' management.

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

On 19 December 2017, the Company's second extraordinary general meeting of 2017 considered and approved the Proposed Amendments to the Articles of Association and Proposed Amendments to the Rules of Procedures of General Meeting, Proposed Amendments to the Rules of Procedures of the Board of Directors, Proposed Amendments to the Rules of Procedures of the Board of Supervisors. The revised Articles of Association and relevant policies obtained approval of the CBIRC on 29 June 2018.

On 19 December 2018, the Company's first extraordinary general meeting of 2018 considered and approved the Proposal on the Change in the Registered Address of the Company and the Amendment to the Articles of Association. For details of the amendments, please refer to the circular of the Company dated 2 November 2018 published on the Hong Kong Stock Exchange's website (www.hkexnews.hk). The revised Articles of Association is pending the approval of CBIRC.

On 28 August 2018, the 25th meeting of the sixth session of the board of directors of the Company considered and approved the Proposals on Amendments to Terms of Reference of Board Committees. For details of the amendments, please refer to the announcements and notices of the Company dated 28 August 2018 published on the Hong Kong Stock Exchange's website (www.hkexnews.hk).

(IX) Information disclosure and investor relations

During the reporting period, the Company strictly observed various regulatory rules of the listing places, effectively implemented the information disclosure system the Company has developed, and formulated a proactive management system for information disclosure to ensure that domestic and overseas investors can obtain true, accurate and complete information. The Company further improved the information disclosure mechanism, sorted out the information disclosure procedures, and understood the concerns of capital market and investors through investor relations management to continuously enrich the contents of periodic reports with improved disclosure quality; strengthened internal communication and reinforced the awareness of information disclosure, thus ensured the accuracy and completeness of information disclosure.

During the reporting period, the Company further refined the work of investor relations, strengthened communications with domestic and overseas investors and provided sufficient information feedback in a timely manner through results announcements, the corporate day, survey receptions and external meetings. During the reporting period, the Company held annual, interim and two quarterly results announcements which around 1,350 investors and analysts attended on-site or by telephone. The Company also conducted 7 non-trading international roadshows and one online roadshow, proceeding profound communications with more than 130 investment institutions. The Company held the corporate day, sharing the Company's risk management theory and future operation thoughts with more than 200 analysts, investors and the media. The Company arranged 111 on-site and telephone surveys from domestic and overseas investors and analysts and interacted with 658 people; attended 45 external meetings and communicated with 674 institutions. Besides, the Company had continuous communication with investors via its investor relations hotlines and replying to the messages on its investor relations website and the E-interactive platform of the SSE.

II. DUTY PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As of the end of the reporting period, the Board included five independent non-executive directors who are professionals in areas including laws, insurance, financial affairs, finance and management, etc. The number of independent non-executive directors is in compliance with the regulatory requirements and the Articles of Association.

The Company's independent non-executive directors have necessary professional knowledge and experience, can perform duties in strict accordance with relevant laws and regulations, regulatory documents and the Articles of Association, and have provided various comments and suggestions in respect of the Company's corporate governance, business operation, risk management and internal control, etc. Independent non-executive directors participate in decision making on the Company's major matters with independent and objective stances, and have paid special attention to legitimate rights and interests of minority shareholders during decision making.

(I) Independent non-executive directors' attendance of meetings

The details of independent non-executive directors' attendance in general meetings and Board meetings during the reporting period are set out in "I. Overview of corporate governance" in this section of this annual report.

(II) Objections from independent non-executive directors to relevant issues of the Company

During the reporting period, Mr. GENG Jianxin, the independent non-executive director of the Company, abstained from the vote on the Proposal on Connected Transaction of Capital Injection to Hwabao Duding (Shanghai) Financial Leasing Company Limited and suggested to re-submit the improved Proposal to the Board for its consideration.

(III) Confirmation of independence of independent non-executive directors

The Company has obtained written confirmation of each independent non-executive director on his/her independence from the Company. The Company confirmed that all independent non-executive directors were independent from the Company during the year ended 31 December 2018.

III. THE INDEPENDENCE OF THE COMPANY FROM THE CONTROLLING SHAREHOLDER IN RESPECT OF ASSETS, PERSONNEL, FINANCE, INSTITUTIONS AND BUSINESSES

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

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

In respect of personnel: senior management of the Company are not serving any position in the controlling shareholders and other enterprises controlled by the controlling shareholders, nor are they receiving any remuneration from the controlling shareholders and other enterprises controlled by the controlling Shareholder. The financial personnel of the Company are not serving any positions in the controlling shareholders and other enterprises controlled by the controlling shareholders.

In respect of finance: relying on its independent finance department and independent financial accounting system, the Company is capable of making independent financial decisions and has a normalized and independent financial and accounting system and a financial management system over branches thereof, as well as independent financial and accounting books. The Company opened independent bank accounts, and had no shared accounts with controlling shareholders and other enterprises controlled by them.

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

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

IV. APPRAISAL AND INCENTIVES FOR SENIOR MANAGEMENT

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

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

V. SECURITIES TRADING OF DIRECTORS AND SUPERVISORS

The Company has established the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd. (《新華人壽保險股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理辦法》) to regulate the securities transactions of directors, supervisors and senior management of the Company, the standards of which are not lower than that required in Model Code for Securities Transactions. After making specific enquiries with all directors and supervisors, the Company confirmed that each of the directors and supervisors has observed the code of conduct set out in the Model Code for Securities Transactions and the Administrative Measures for the Shares of the Company held by Directors, Supervisors and Senior Management and their Changes of New China Life Insurance Company Ltd. during the reporting period.

VI. REMUNERATION OF AUDITORS

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

VII. RESPONSIBILITIES OF DIRECTORS TOWARDS FINANCIAL STATEMENTS

Directors confirmed that they were obliged to prepare financial statements and to truly and fairly report the Company's position. The statement made by the Company's auditor about its responsibility for reporting the accounts is set out in Appendix "2018 Audited Financial Statements" of this annual report. To the knowledge of the directors, there were no issues or conditions that might significantly affect the Company's sustained operation. After making appropriate enquiries, the directors consider that the Company has enough resources for sustainable operation, therefore the financial statements shall be prepared on a sustainable basis.

VIII. THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in the terms of reference of Article D.3.1 of the Corporate Governance Code. The directors of the Company are not aware of any information that would reasonably indicate that the Company has not complied with the applicable code provisions as set out in the Corporate Governance Code at any time during the period from 1 January 2018 to 31 December 2018.

During the reporting period, the Board of the Company held a meeting to review the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report.

IX. INTERNAL CONTROL

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

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

Based on the internal control requirements such as the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), the Basic Standards for Internal Control of Insurance Companies (《保險公司內部控制基本準則》) (Bao Jian Fa [2010] No.69), the Internal Control Guidelines for Insurance Fund Application (《保險資金運用內部控制指引》) (Bao Jian Fa [2015] No.114) and the Guidance for the Internal Control of Companies Listed on Shanghai Stock Exchange (《上海證券交易所上市公司內部控制指引》) (Shang Zheng Shang Zi [2006] No.460), the Company has observed the basic principles of comprehensiveness, significance, balancing, adaptation, cost-effectiveness and established a top-down internal control system which includes finance, operation and sales management.

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

The Company comprehensively identified risks associated with the businesses, finance and use of funds and determined the scope of risk area through qualitative and quantitative methods, thereby fully identifying the defects and loopholes in internal control and constantly improving the deficiency rectification and follow-up regime. The organization and implementation of rectification review and acceptance for the purpose of enhancing the effectiveness of rectification with precautionary measures, process control and post-supervision in place guaranteed the efficiency and effectiveness of the operating activities. In 2018, the Company thoroughly carried out internal control and risk-based inspections including fighting chaos and illegal practices, 2017 chaos rectification look-back, chaos rectification in 2018, risk-based inspection on illegal fundraising and fund cases, comprehensive risk investigation, etc., strengthening monitoring and on-site inspection, and steadily facilitating the optimization and implementation of internal control system. Basic ability of the risk control was further improved.

The Company, focusing on transformation and development, continuously strengthened the internal control management foundation and steadily pushed forward the internal control building work in various business areas. In respect of sales control, the Company continuously improved the sales management structure, further standardized the sales management and business plan management as well as other control mechanisms; continuously strengthened the systems and procedures on the management of sales agents, training and quality, and strictly regulated promotion and business expansion activities, continuously focused on improving the quality of business, and strengthened sales risk monitoring. In respect of operation control, the Company continually optimized the operation management system, and operation management processes of new policies, underwriting review, updating information, claim settlement, customer service, quality control and others. The Company improved customer information management approaches to meet regulatory requirements and continually improve the integrated risk management of operation. In respect of accounting and financial control, the Company established a comprehensive and standardized financial management structure and system, continuously enhanced various accounting and financial management system, including budget management, accounting classifications, tax management, statistical information management, funding management, etc.. Besides, the Company also optimized information system control measures, identified and managed financial risks effectively, improved efficiency of finance service and information quality to insure the truthfulness, completeness, accurateness and timeliness of financial reports and relevant information. In respect of the control in utilization of capital, the Company prepared guidelines on the use of insurance funds annually, formulated the administrative measures on the risk classification of assets, real estate investment management measures and other relevant systems, strictly complied with the regulatory requirements of the CBIRC and the relevant regulatory authorities on the use of fund, implementation of risk control and standards of operation of insurance funds to effectively prevent the risk in insurance funds utilization.

The Company has established a clearly defined and effective internal and external information and communication system, which imposes strict requirements on the timeliness of information transfer so as to implement the administrative system of information disclosure and improve the registration and filing of inside information. The Company has also formulated the system of accountability for significant errors of information disclosure in the annual report, which clearly defines the significant errors in information disclosure and its responsibility. The criteria for identifying significant errors and the accountability mechanism have been established and strictly complied with.

The Company has established a relatively independent internal audit system with centralized management. The audit department is responsible for the arrangement and implementation, in a uniform manner, of internal audit and has been exercising the internal control function. The Company has continuously improved the standardized guidelines for auditing, strengthened off-site audits and intensity of supervision of specific audits, diversified its audit methods and enhanced its professionalism as well as the auditing quality. The Company further improved auditing organization structure and upgraded the level of the audit center. By expanding the scope and coverage of auditing, the Company also strengthened the audit and supervision, and enhanced the management value of internal audit.

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

The Board is responsible for the risk management and internal control and their effectiveness. Meanwhile, the risk management and internal control specialized institution of the Company is designed to manage the risk of failing to achieve objectives. The Company provides reasonable assurance for non-existence of material false statements or loss. The Company actively carried out the construction and self assessment of solvency risk management and actively supported the regulator's on-site evaluations in 2018 in accordance with the regulatory requirements of C-ROSS. Through a comprehensive benchmarking analysis, the Company clarified its own problems, carried out targeted rectification, and effectively improved the ability of risk management.

On the basis of the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) (Cai Kuai [2008] No.7), the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (《關於印發企業內部控制配套指引的通知》) (Cai Kuai [2010] No.11), and the Hong Kong Listing Rules, the Board has conducted annual self-assessment on the internal control in a comprehensive way, the scope of which covers the sales management, financial management, operational management, capital utilization, compliance management and risk management functions of the headquarters, branches and holding subsidiaries. The time interval of the 2018 assessment is from 1 January 2018 to 31 December 2018. By the assessment, the Board is of the view that the establishment and operation of the Company's internal control system are effective and adequate as a whole and the accountant has issued a standard unqualified internal control audit report.

For details of the Company's internal control assessment, please refer to the 2018 Internal Control Assessment Report separately issued by the Company and the internal control audit report issued by the accountant.

SECTION 11
RISK MANAGEMENT

I. RISK MANAGEMENT SYSTEM – OVERALL STRATEGIES

The Company has established a risk management organizational system spanning across all business functions which the Board is ultimately responsible for, and which is directed by the Executive Committee directly, coordinated by the Legal Compliance and Risk Management Department, closely assisted by the relevant functional departments and entities, and independently audited by the audit department. In 2018, according to the regulatory requirements of solvency risk management and asset liability management and its own management needs, the Company further specified the responsibilities of Risk Management Committee under the Board, Executive Committee and relevant functional departments for solvency risk management and asset liability management.

With the aim of pursuing value and on the basis of internal control, the Company facilitated the establishment of a comprehensive risk management system using both quantitative and qualitative methods to realize the professional operation of risk management, thus making risk management the important basis for the decisions made by the Board and the Executive Committee. Underpinned by the general operational strategy and considering the expectations of all shareholders, the Company established risk strategies aiming at striking a balance among capital, value, profit and liquidity, observing the laws and regulations and regulatory requirements, controlling operational risks effectively, and safeguarding the Company's good reputation and brand image so as to achieve sustainable healthy development.

The Company steadily carried forward the risk management system and its process development, continuously improved the risk management system and optimized the management process. In 2018, the Company continued to improve the risk management system and the coherence of the system at all levels. The top-level risk management was improved through a revision of the Comprehensive Risk Management Policy (《全面風險管理政策》) and the Measures for Risk Preference Management (《風險偏好管理辦法》), and an update of the Statement of Risk Preference for 2018 (《2018年度風險偏好陳述書》). Special risk management systems and process were improved, including the revision of Reputation Risk Management System (《聲譽風險管理制度》), the Operational Risk Management System (《操作風險管理制度》) and the Development Planning Management Measures (《發展規劃管理辦法》). The Measures for Risk Assessment and Classification Management of Money Laundering and Terrorist Financing (《洗錢和恐怖融資風險評估及分類管理辦法》), the Measures for the Management of Large Transactions and Suspicious Transactions Reporting (《大額交易和可疑交易報告管理辦法》), and the Measures for the Management of Customer Identification and Customer Data and the Preservation of Transaction Records (《客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) were amended to improve anti-money laundering management system. Progress was made in the management system of illegal fund-raising through the formulation of the Interim Measures for the Prevention and Disposal of Illegal Fund-raising (《防範和處置非法集資管理暫行辦法》). The Company also improved the management system of legal affairs by amending the Management Measures for Legal Affairs (《法律事務管理辦法》). The management mechanism of internal control was further regulated by amending Practice Manual for Internal Control (《內部控制實務手冊》), the Basic Measures for the System Permissions Management (《系統許可權管理基本辦法》), and the Measures for Business Program Management (《業務方案管理辦法》). We further strengthened the construction of risk management process, sorted out and improved the routine and important workflow and job operation process, as well as supporting job index database, working documents and forms, policies, regulations and management systems. These efforts laid a solid foundation for the process construction and process management of the Company's risk management.

The Company actively strengthened its own ability of risk management in consideration of the requirements of the C-ROSS, by means of conducting self-assessment of the solvency risk control ability and comprehensive benchmarking analysis which enabled the Company to identify problems and make specific rectification.

In 2018, the Company constantly optimized its risk monitoring and reporting mechanism by monthly monitoring and analysis of the key risk indicators for seven major risks under the comprehensive risk management system, namely, market risk, credit risk, insurance risk, operational risk, strategic risk, reputation risk and liquidity risk, and providing the headquarters and branches with risk warning and reminder through the early warning system.

In 2018, the Company constantly optimized its risk management information system. Its risk management subsystem realized various functions such as data collection and processing, key risk indicator monitoring and early warning, and risk statement management, to timely identify risks and give warnings by monitoring data and indicators during the operation with modern information technology, and to effectively mitigate and dispose risks. The internal control subsystem realized a full coverage of internal control management modules such as internal control evaluation, defect rectification, operational risk event management, and risk investigation, and was accessible to users at the headquarters, branches and sub-branches, which met the functional requirements of daily internal control management and advanced the basic management of risk control.

II. RISK IDENTIFICATION AND CONTROL

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

(I) Market Risk

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

The Company continued to monitor the proportion of high-risk assets, value at risk (VaR), asset liability duration gap ratio and other key market risk indicators. Benchmark threshold values were set up for risk warning. In addition, to cope with extreme circumstances, the Company adopted sensitivity analysis and stress test to measure the potential loss to the Company under stress with focus on the impacts of market volatility and interest rate movements on fair value of investment assets and solvency of the Company. The proportion of each investment asset was in line with the requirements of CBIRC and the internal requirements of the Company. According to the results of the risk indicator monitoring and stress test, the market risk of the Company was within a normal controllable range.

In order to handle the market risks, the Company primarily adopted the following risk control measures in 2018: (1). placing emphasis on macro-economic studies and carefully projecting domestic and international market trends; (2). analyzing historical risks and returns of major assets on a regular basis; (3). proactively managing the positions of equity assets and conducting regular stress tests to measure their impact on return on investment and solvency margin ratio to keep risk exposures under control; (4). making stable investment and insisting on asset liability matching as our focus of management; (5). sticking to value investment, selecting assets with potential value appreciation, and pursuing middle-to-long term investment gains; (6). centering on value while paying attention to the overall liquidity of assets and gradually adjusting our investment portfolio by adding new assets, so as to match the risk and return characteristics of the overall investment portfolio with the value and risk management requirements of the Company; and (7). enhancing risk monitoring and early warning to strengthen risk emergency management.

(II) Credit Risk

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

1. Credit Risk of Investment Business

The Company primarily monitored the credit rating and concentration of investment targets and counterparties to ensure that the overall credit risk exposure is within control through the control of the proportion of investments with low credit rating. More than 95% of the investment deposits and bonds of the Company have a credit rating of AAA and the credit rating of major counterparties is AAA with low credit default risk. The non-standard financial product investments held by the Company have good credit enhancement arrangements, and thus its overall risk is under control.

To address the credit risks of the investment business, the Company primarily adopted the following measures in 2018: (1) implementing a strict internal credit and credit rating system for counterparties and stringently check on the categories of credit investment products; (2) implementing subject credit with respect to non-standard financial product investments to prevent credit risk; (3) reinforcing credit enhancement arrangements with respect to non-standard financial product investments; and (4) regularly tracking down and monitoring the credit risk of investment portfolios, analyzing and assessing the probability and impacts of credit default events.

2. *Reinsurance Credit Risk*

In respect of reinsurance credit risk, the Company conducted assessment mainly based on the credit ratings of reinsurance counterparties.

In 2018, there were a total of 11 reinsurance companies under contractual arrangements with the Company, and all of their credit ratings were above A. Eight of them obtained Standard & Poor's rating: one company had AA+, three companies had AA-, three companies had A+, one company had A. The other three companies obtained A.M. Best's ratings of A+, A and A- respectively. The Company had good credit distribution within the reinsurance ceding business without material credit risk.

(III) Insurance Risk

Insurance risks refer to the risks of losses arising from the unfavorable deviation of the actual situation from the projections in terms of such assumptions, such as mortality rate, morbidity rate, compensation rate, surrender rate and expense rate.

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

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

(IV) Operational risk

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

1. *Risk of maturities and surrender*

Risks of maturities and surrender refer to the more-than-expected or deviated-from-expected occurrence of maturities and surrender, which results in the risk of insufficient cash flow, complaints and disputes, or group events.

In respect of maturities, as the policies accumulated at prior sales peak were gradually at maturity and were ready for payout, and the maturity amount for 2018 posed some pressure. Individual products may incur the risk of complaints and disputes as the yield to maturity may be lower than customer's expectations. In respect of surrender, as the peak season of 3-year and 5-year participating contracts sold by the bancassurance channel in the prior period has passed, and the Company gradually reduced the sales of middle and short term products in the perspective of strategies, the stress of surrender faced by the Company was relieved in 2018.

To effectively address the risk of maturities and surrender, the Company primarily adopted the following measures in 2018: (1) sticking to returning to the essence of insurance and accelerating the development of protection-type products. To meet the customers' demand, the Company continued its transformation towards protection and regular business with an emphasis on pension insurance, health insurance, medical insurance, general life insurance and accident insurance; (2) improving business quality by tightening source control through multiple channels. The Company revised and improved the management system, strictly carried out screening and rectification, continuously strengthened basic management, and improved the professionalism and service quality of the sales team; (3) ensuring good customer service and preventing the risk of disputes with multiple methods. The Company continuously improved service efficiency, optimized and simplified business process, strengthened monitoring and training exercises to enhance emergency response capacity, offered better consulting and complaint services and developed targeted complaint risk prevention measures to practically protect consumers' legal rights and interests.

2. *Risk of misleading sales*

Risks of misleading sales refer to various misleading acts such as deceit and fraudulent inducement on the part of sales team and insurance agencies in the course of a sale, which result in customer complaints, negative media exposure, regulatory penalties and collective complaint events, and thus brings the risk of economic loss, harm on reputation or other adverse impact to the Company. Rectification of misleading sales based on regulatory requirements and the Company's requirements of strategic transformation is a major task of the Company.

To effectively address the risk of misleading sales, the Company mainly adopted the following measures in 2018: (1) further improving the compliance appraisal indicators system, focusing on the misleading sales rectification, and supervising the agencies' constant enhancement of misleading sales rectification through regularly tracking the periodic achievement of appraisal indicators; (2) strengthening daily risk monitoring and early warning, providing risk reminders to agencies with high risk on misleading sales according to the daily monitoring results, urging agencies to take measures to prevent and defuse potential risks; (3) strengthening the internal control and compliance management of promotional materials, improving the product promotion management system, optimizing the approval process of promotional materials, regulating information disclosure, the design and production of product promotional materials, product training advocacy, product sales promotion and product information disclosure; and (4) strengthening compliance promotions and warning education, constantly summarizing all kinds of misleading sales problems, and initiating system-wide risk prevention promotion and warning education.

3. *Risk of insurance related litigation and illegal sale of non-insurance financial products*

Risks of insurance related litigation refer to risks arising from infringement, misappropriation, fraud, commercial bribery, illegal fund-raising, pyramid selling and illegal operation of the insurer that result in economic losses, reputation damage or other adverse effects to the Company. In 2018, the number of insurance litigation cases was basically the same as the previous year. The insurance litigation cases included insurance fraud, loan fraud and illegal fund-raising. At the same time, in recent years, some agents illegally sold non-insurance financial products, and some were even suspected of illegal fund-raising, which caused a great damage to the Company and interests of insurance consumers.

To effectively address insurance-related litigation cases and curb illegal sales of non-insurance financial products, the Company mainly adopted the following measures in 2018: (1) formulating and issuing the Interim Measures for the Prevention and Disposal of Illegal Fund-raising (《防範和處置非法集資管理暫行辦法》) to consolidate the institutional basis for illegal fund-raising prevention and control. Important documents as "Notice on Further Strengthening the Prevention and Control of Illegal Fund-raising Risks"(《關於進一步加強非法集資風險防控工作的通知》), "Notice on Further Improving the Mechanism of Preventing and Controlling Illegal fund-raising Risks"(《關於進一步完善非法集資風險防控機制的通知》), "Notice on Strengthening System-wide Prevention and Combating of Illegal Fund-raising, Illegal Lending, and Financial Fraud"(《關於進一步加強全系統防範和打擊非法集資、非法放貸、金融詐騙有關工作的通知》) and "Notice on Strengthening Prevention and Control of Illegal Fund-raising and Related Cases "(《關於切實加強非法集資及案件風險防控工作的通知》) were issued, which further enhanced the prevention of illegal fund raising, the illegal sale of non-insurance financial products and litigation risks, and embedded risk prevention and control measures into each business chain; (2) further improving management system and contract models: revising operational risk management measures, labor contract management measures, agents quality management measures, customer information management measures, etc.; amending labor contract, agency contract model of the whole system by adding prohibition of illegal sale of non-insurance financial products and participation in any form of illegal fund-raising. The prevention and control of illegal fund-raising risks were included into the Company's comprehensive risk management; (3) initiating risk monitoring and screening against cases and combating misconducts at their early stage: establishing and improving monitoring mechanisms such as indicator, complaints and personnel exchange monitoring, and supervising the implementation of branches so as to timely identify and handle risks; (4) initiating risk investigation against cases, initiating system-wide risk investigations regarding illegal fund-raising and capital cases, and conducting special risk investigations on significant insurance related litigation; (5) strengthening case publicity and warning education: internally, keep carrying out warning education regarding the consequence of unlawful crimes through analyzing real cases to avoid future mistakes; externally, actively carrying out illegal fund-raising publicity and education activities so that insurance consumers and practitioners can further understand illegal fund-raising; guiding the public to establish a rational concept of insurance consumption, investment and wealth management.

In addition to the relevant measures for the above important operational risks, the Company also responded to daily operational risks by optimizing management processes, strengthening internal controls, conducting risk investigations, strengthening compliance management and internal audit supervision.

(V) Reputation risk

Reputation risks refer to the risk of losses due to the negative comments to the Company from the stakeholders arising from the operation and management of the Company or external events.

Generally speaking, in 2018, our operations and development remained sustainable and healthy. There was no material reputation risk event throughout the year. Coverage of the Company by external media was primarily positive.

The Company's reputation risk management follows the principle of risk prevention by establishing a routine, long-term management mechanism which focuses on advance assessment and daily precaution. The Company has established a comprehensive reputation risk management system that covers all channels and all branches in terms of organizational structure, system and daily monitoring. Through timely identifying and addressing issues in operation management, the Company aims to eliminate potential risks that may affect the Company's reputation and image.

(VI) Strategic risk

The strategic risks refer to the risk of mismatch between strategies, market conditions and capabilities of the Company arising from ineffective formulation or implementation of strategies or changes in operational environment.

In 2018, the Company further advanced strategic transformation and development and optimized business structure by focusing on long-term and protection-type products, and achieved steady growth of gross written premiums and other core operation objectives.

To address the strategic risk, the Company mainly adopted the following measures: (1). analyzing and studying hotspots and development trends of the industry, thereby identifying the opportunities for the development of the life insurance business, and mapping out the growth path and strategic layout in view of the actual operation of the Company; (2). formulating the mid-to-long term development strategies based on the overall vision of "making steady progress" and operation guideline of "growing, strengthening, improving and enhancing", and outlining core operational indicators in view of the operation of the Company; (3). promoting the guidance and management of strategies for the completion of the operational plans, thus ensuring that the strategic plans of the Company could be thoroughly implemented at all levels; (4). establishing a tracking and assessment system on strategies by making assessment indicators and regularly tracking their implementation; (5). strengthening the communication between the strategy management department and related function departments to form a coordination and feedback system on strategy planning and adjusting the strategic objectives in a timely manner based on the change of internal and external circumstances.

(VII) Liquidity risk

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

In 2018, the overall liquidity of the Company was satisfactory, and there was a significant increase in cash flow of traditional protection business. However, as a result of mass surrender of certain products, some accounts experienced relatively tight liquidity in the short term.

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

I. MAIN BUSINESSES

As approved by the regulatory authorities and the Company registration authorities, the business scope of the Company include: providing life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital utilization in accordance with relevant regulations. There was no material change in major business scope of the Company during the reporting period.

II. BUSINESS REVIEW

(I) Annual business and business results analysis

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

(II) Major risks and uncertain factors

Please refer to Section 11 "Risk Management" of this report for details of the major risks and uncertain factors of the Company.

(III) Environment policy

As an enterprise full of social responsibility, New China Life pays close attention to global climate change and actively carries out Paris Agreement and the requirements of building ecological civilization in the 19th CPC National Congress Report. In dealing with climate change and protecting atmospheric environment, the Company strictly abides by laws and regulations, including Environmental Protection Law of People's Republic of China, Law of the People's Republic of China on Conserving Energy, advocates green and low-carbon lifestyle and is committed to reducing the impact of daily operation on the environment. In order to reduce the impact on the environment and natural resources brought by greenhouse gas emissions during the operation of the Company and advocate green travel, the Company not only encourages employees to take public transportation and reduce unnecessary business trips, but also actively promotes afforestation activities. Adhering to the concept of green office, the Company has mapped out a series of systems and measures related to environmental management, and actively promoted the behaviors and habits on energy conservation and environmental protection among employees. In terms of electricity conservation, the Company encourages employees to use air conditioners in a scientific way, such as keeping indoor temperature above 26 degree Celsius in summer, turning off computers and lights in time, in terms of water saving, the Company encourages employees to save and cherish every drop of water.

(IV) Principal employees and customers

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

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

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

(V) Compliance of relevant laws and regulations

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

The Company remains committed to operating lawful insurance business in a prudent way, reviewing the terms of insurance products with respect to their legality and compliance, strengthening the management of insurance agents, perfecting the insurance business process and improving customer relationship. During the reporting period, the Company also actively sent its employees to attend the special legal training organized by Insurance Association.

The Company continues to promote compliance culture and risk control infrastructure, optimizes compliance control mechanism, strengthens sales compliance management, and strictly abides by the bottom line of risks.

Adhering to risk-prevention principle, the Company has fully complied with the regulations on anti-money laundering and incorporated the risk management of money laundering into its overall risk management system, established and improved the risk management system for anti-money laundering. The Company fully fulfilled the anti-money laundering obligations, including customer identity recognition, the retention of customer ID information and transaction, the reporting of major transaction and doubtful transaction and customer risk assessment, to uplift risk management level and effectively prevent the risk of money laundering.

The Company strictly complies with the laws and regulations, regulatory provisions and relevant rules about corporate governance, continues to enhance its organizational structure, convenes regular general meetings, board of directors meetings and board of supervisors meetings and fulfills its obligations in the approval, reporting and disclosure of connected transactions and material information.

(VI) Company's relations with employees and customers

The Company has always put people first, strictly abided by various laws and regulations, including Labor Contract Law of the People's Republic of China, and Labor Law of the People's Republic of China. New China Life always believes that the rights and interests of employees shall be defended. Misconducts, such as discrimination, child labour or forced labour shall be firmly prohibited. By creating a fair, warm and multicultural environment for employees, we greatly tap the potential and value of employees to promote the in-depth development of the Company's innovation. We also attach great importance to employees' occupational safety and actively comply with relevant laws and regulations, including Law of the People's Republic of China on the Prevention and Control of Occupational Disease and Regulation on Work-Related Injury Insurances and Occupational Safety and Health Ordinance, work hard to improve labor safety and sanitation management system and to provide employees with healthy, safe and comfortable working environment.

New China Life seeks to forge ahead with steady progress, and relies on the progress of information technology and the deepening of service to comprehensively improve product quality and customer satisfaction. In order to constantly enrich the value of insurance products, the Company continues to strengthen the quality management of products from three aspects: product management, innovation and promotion. Under the background of returning to the essence of insurance, customer service has become one of the focuses of competition in the life insurance industry. New China Life has been awarded the highest service rating "AA" by CBIRC for two consecutive years, which fully reflects the resources and energy the Company has invested in improving its customer service. In the future, the Company will continue to improve service quality through professional service, strict customer privacy protection system and transparent regulation channel to reflect the Company's brand features.

During the reporting period, the Company conducted customer satisfaction survey covering 43,596 people through its customer service department. The result showed that 92.28% of its customers were satisfied with its services.

(VII) Prospects

Please refer to Section 5 "Management Discussion and Analysis - IV. Prospects of future development" of this report for details of the prospects on future business development of the Company.

(VIII) Post-balance sheet events

Please refer to Note 38 to the Consolidated Financial Statements for material events after the reporting period that have impact on the Company.

III. DIVIDEND DISTRIBUTION

(I) Dividend distribution policies

According to Article 287 of the Company's Articles of Association, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.

2. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the Board based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year.

3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the Board considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all Shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.

4. The Board shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution to the general meeting for consideration. The independent non-executive directors of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly minority shareholders through various channels, carefully listen to the feedbacks and requests by minority shareholders, and give timely response to minority shareholders on the relevant matters. After a resolution approving such profit distribution plan is passed at the general meeting, the Board shall distribute the dividends within two months from the convention of such general meeting.

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

(II) Dividend distribution in the recent three years

Year of dividend distribution	Amount of dividend per share (RMB) (including tax)	Total amount of cash dividend (RMB million) (including tax)	Net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements (RMB million)	Percentage of the total amount of cash dividend in net profit attributable to Shareholders of the Company achieved within the year as contained in the financial statements
2018	0.77	2,402	7,922	30.3%
2017	0.52	1,622	5,383	30.1%
2016	0.48	1,497	4,942	30.3%

1. *Annual dividend plan of 2018*

According to the annual dividend plan of 2018 deliberated by the 32nd session of the sixth board of directors on 20 March 2019, the Company plans to distribute an annual cash dividend of RMB0.77 (including tax) per share to all of the A shareholders and H shareholders for 2018, totaling RMB2,402 million, representing approximately 30.3% of the net profit attributable to shareholders of the Company as contained in the 2018 financial statements of the Company. The remaining retained profits shall be carried forward to 2019 and distributed in future.

The aforementioned proposal will be submitted to the shareholders for consideration and approval on the annual general meeting. The Company expects that 2018 annual dividend will be distributed on Friday, 9 August 2019 to all the H shareholders.

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

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

IV. MAJOR ACQUISITION AND DISPOSAL

During the reporting period, the Company had no major acquisitions and disposals.

V. ISSUE OF BONDS

During the reporting period, the Company did not issue any bonds.

VI. BANK LOANS

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

VII. PLEDGE OF ASSETS

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

VIII. DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

IX. CHANGES IN ACCOUNTING ESTIMATES

The Company determined actuarial assumptions, including discount rates, mortality rates, morbidity rates, expense assumptions, surrender rates, and policy dividend assumptions, based on information available as of the balance sheet date to measure insurance contracts liabilities as of the balance sheet date.

The Company determined the above assumptions on 31 December 2018 according to the information available. Movements in liabilities for various insurance contracts arising from changes in the above assumptions were included in the statement of comprehensive income. The aforementioned change in assumptions resulted in an increase of RMB1,895 million in the life insurance liability reserves, an increase of RMB3,143 million in the long term health insurance liability reserves, and a decrease of RMB5,038 million in profit before income tax on 31 December 2018.

X. USE OF PROCEEDS

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

XI. RESERVES

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

XII. CHARITABLE DONATIONS AND OTHER DONATIONS

The Company actively implemented the vision of the 19th CPC National Congress, responded to the call of poverty alleviation by the CPC central committee, gave full play to the advantages of the insurance industry and carried out the overall objective of alleviating poverty through insurance, undertook charitable activities and served the public. With the help of New China Life Foundation, the Company further explored the development mode of "insurance + public welfare", broadly participated in public welfare activities, such as donation to poor students, health care and environmental protection, took concrete actions to contribute to improving the livelihoods of people and building a harmonious society.

During the reporting period, the Company donated approximately RMB6.85 million and sum assured for sanitation workers and poor households worth RMB58,200 million.

XIII. PROPERTY, PLANT AND EQUIPMENT

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

XIV. INVESTMENT PROPERTY

Address	Utilization	Term	Equity of the Company
New China Insurance Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, China	Office building	Middle-term lease	100%
No.7 Office Building of Shanghai Port International Passenger Transport Center, 558 Dongda Ming Road, Hongkou District, Shanghai, China	Office building	Middle term lease	100%
Binhai International Center, Exhibition North Road, Siming District, Xiamen, Fujian Province, China	Office building	Middle-term lease	100%

The directors of the Company is of the view that the listing of all investment properties would result in an excessively lengthy list of information and therefore only listed significant properties.

XV. SHARE CAPITAL

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

XVI. CONNECTED TRANSACTIONS

Please see Section 7 "Significant Events – VI. Major connected transactions during the reporting period" of this report for details of connected transactions of the Company.

The details of the related party transactions are set out in Note 33 to the Consolidated Financial Statements. Aside from Section 7"Significant Events – VI. Major connected transactions during the reporting period of the report", no such related party transactions fall under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Hong Kong Listing Rules.

XVII. MANAGEMENT CONTRACTS

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

XVIII. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

XIX. PRE-EMPTIVE RIGHT

Pursuant to P.R.C. laws and regulations and the Articles of Association, shareholders of the Company had no pre-emptive right; and the Company did not have any share option plan.

XX. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETITIVE BUSINESSES

During the reporting period, the Company has no interests of directors or supervisors in competitive business.

XXI. SERVICE CONTRACTS AND REMUNERATIONS OF DIRECTORS AND SUPERVISORS

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

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

XXII. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

XXIII. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES

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

XXIV. STATEMENT OF THE BOARD ON INTERNAL CONTROL RESPONSIBILITY

According to the self-assessment of the effectiveness of internal control performed as of 31 December 2018 by the Board in compliance with the Basic Standard for Enterprise Internal Control (Cai Kuai [2008] No. 7) and the Circular on Printing and Distributing the Implementary Guidelines for Enterprises Internal Control (Cai Kuai [2010] No. 11), the Board is of the view that the establishment and operation of internal control system were effective as a whole.

XXV. PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2018, there were no and had been no any permitted indemnity provision benefiting the directors of the Company or the affiliates of the Company. The Company has purchased proper director liabilities insurance for directors to indemnify the legal responsibility incurred by directors' fulfilling their duty. The governing law of such policy is P.R.C. law.

XXVI. SUFFICIENT PUBLIC FLOAT

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

XXVII. EQUITY-LINKED AGREEMENTS

Save as disclosed in the report, for the year ended 31 December 2018, the Company had not entered into any equity-linked agreement.

By order of the Board
LI Zongjian
Executive director, Vice President

I. PERFORMANCE OF DUTIES OF THE BOARD OF SUPERVISORS

In 2018, the Board of Supervisors held 4 meetings in total, all of which were convened in accordance with the Articles of Association. The attendance details are as follows:

Name of supervisor	Date of appointment	Number of scheduled attendance	Number of attendance	Attendance rate	Remarks
Shareholder representative supervisor					
WANG Chengran	8 July 2014	4	4	100%	
YU Jiannan	11 February 2018	4	3	75%	Failing to attend the 12th meeting of the sixth session of the board of supervisors in person for business reasons but appointed supervisor WANG Chengran to attend and exercise the voting right on behalf thereof
Employee representative supervisor					
WANG Zhongzhu	18 March 2016	4	4	100%	
BI Tao	18 March 2016	4	4	100%	
Anke D'Angelo (Resigned)	25 January 2018	3	3	100%	

Note:

During the reporting period, for the details of the Company's newly appointments and resignation of his/her term, please refer to section 9 "Directors, Supervisors, Senior Management and Employees" of this annual report.

During the reporting period, the board of supervisors supervised the operating activities, financial condition, internal control, connected transactions and the formulation of the development plan of the Company and assessment of its implementation as well as the performance of the directors and senior management of the Company through the convening of meetings of the board of supervisors, attending general meetings, Board meetings and Board committee meetings.

During the reporting period, Mr. WANG Chengran, the chairman of the board of supervisors, Mr. WANG Zhongzhu, Mr. BI Tao, members of the board of supervisors, attended the special training for directors and supervisors of listed companies in Beijing. The Company organized all supervisors to attend training on connected transaction rules and learn relevant materials of compliance training of the Company.

The board of supervisors had no objection on matters under supervision during the reporting period.

During the reporting period, the supervisors of the Company surveyed Shenzhen, Chongqing, Hebei, Henan, Yunnan, Hubei, Anhui, Xiamen, Shaanxi and other branches, looked into operation situations and problems encountered by branches and timely reported to the Company's management team, which played an active role in deepening the Company's transformation and development, improving the level of risk control and optimizing organization management.

II. INDEPENDENT OPINIONS EXPRESSED BY THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

1. The Legal Operation of the Company

The board of supervisors is of the view that, during the reporting period, the Company insisted on management and operation activities in accordance with Company Law and Articles of Association. The corporate governance structure further improved, the decision-making procedures of board of directors and management team are legal and effective, directors and senior executives are integrate, diligent, found no violation of law and damage to the interests of shareholders in the process of business operation and management.

2. The Truthfulness of Financial Statements

Ernst & Young conducted the audit on the 2018 consolidated financial statements of the Company prepared in accordance with the IFRS and issued the standard unqualified audit report. The board of supervisors believe that the Company's consolidated financial statements are true, objective and accurate reflection of the Company's financial situation and operating results.

3. Acquisition and Disposal of Assets

During the reporting period, the Company had no major acquisition and disposal of assets.

4. Connected Transaction

During the reporting period, the board of supervisors reviewed the Report on the Connected Transactions and the Implementation of Connected Transaction Management System of 2017 and the Special Audit Report on Connected Transactions of 2017. The board of supervisors believes that the connected transactions of the Company are fair and reasonable and found no damage to the interests of shareholders and the Company.

5. Review on Internal Control Report

The board of supervisors reviewed the Annual Internal Control Evaluation Report of 2017 and believed that the management team attached great importance to the system building of internal control and has established a relatively complete, reasonable and effective internal control system, which greatly improved the internal control level.

6. Implementation of Resolutions of the Shareholders' Meeting

During the reporting period, members of the board of supervisors attended the annual general meeting of 2017, the first extraordinary general meeting of 2018 and 8 meetings of the board of directors. They had no objection to the content of the proposals submitted by the board of directors to the shareholders' general meeting.

During the reporting period, the board of supervisors has supervised the implementation of resolutions of the shareholders' general meeting and believed that the board of directors can earnestly implement relevant resolutions of the shareholders' general meeting.

SECTION 13
REPORT OF THE BOARD OF SUPERVISORS

In 2019, the board of supervisors will continue to fulfill its duties and improve its work. In accordance with relevant regulatory requirements and the internal system of the Company, the board of supervisors will continue to perform the supervision and inspection functions in an honest and diligent manner to better complete the work and effectively protect the interests of the Company and shareholders.

By order of Board of Supervisors
WANG Chengran
Chairman of Board of Supervisors

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of New China Life Insurance Company Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of New China Life Insurance Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 280, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
The Group has significant insurance contract liabilities amounting to RMB594.62 billion as at 31 December 2018, representing 89% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of policyholder liabilities. Actuarial models are used to support the calculation of insurance contract liabilities. Assumptions used in the valuation of insurance contract liabilities, such as investment return, discount rate, mortality, morbidity, expense, lapse also require the use of significant judgments and estimates. The Group's disclosures about valuation of insurance contract liabilities are included in note 2 (11), note 3 Estimation Uncertainty (1), note 3 Estimation Uncertainty (8) and note 14 (1), which specifically explains the uncertainties surrounding key assumptions applied in the valuation. Please refer to Note 4 (1) (c) to understand the sensitivities of changes in these assumptions on the Group's operating results.	In our audit, we tested the underlying data used in the valuation of these liabilities to source documentation. Based on our industry knowledge and experience, we compared the methodology, models and assumptions used against recognized actuarial practices. With the assistance of our internal actuarial specialists, we performed the following procedures in this area, which included among others: – Assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for assumptions used, actuarial analyses including estimated versus actual results and experience studies; – Assessed the assumptions with reference to historical experience, business expectations of the Group, and market practices; – Independently established models to test the valuation of liabilities for selected insurance products; – Assessed the impact of changes in assumptions adopted by the Group.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of available-for-sale financial assets	
As at 31 December 2018, the Group held RMB300.95 billion of available-for-sale financial assets. The Group carries out impairment tests on available-for-sale financial assets at the end of each reporting period, and impairment provisions are made accordingly. The Group determines whether there is impairment on debt financial assets after evaluating objective impairment indicators such as significant adverse financial condition of the issuer or debtor, default in repayment or a breach of debt covenants, etc. For equity financial assets, objective evidence of impairment includes a significant or prolonged decline in the fair value of an investment below its cost. What is considered significant or prolonged involves significant judgment. In addition to other objective evidences, if the market price of the available-for-sale equity financial assets is equal or more than 50% below its cost at the end of the reporting dates, or the market price of the available-for-sale equity financial assets was below its cost for a period of more than one year (one year included), the Group management determines that the available-for-sale equity financial assets are impaired. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. It involves significant judgment when the Group management is evaluating whether impairment evidence exists on available-for-sale financial assets. Note 2 (9) (h) and note 3 Estimation Uncertainty (3) discloses the impairment test policy, and note 24 discloses the impairment loss recognized in the current period.	In our audit, we assessed and tested the design and operating effectiveness of the controls over impairment tests process. We assessed the significant judgment and rationale used by the Group management in evaluating the impairment evidence for impaired available-for-sale financial assets and determining the amount of impairment loss, and independent tests were performed to evaluate objective evidence for available-for-sale financial assets that were potentially impaired.

INDEPENDENT AUDITOR'S REPORT (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of financial assets with no quoted prices in an active market	
As at 31 December 2018 the Group holds RMB300.95 billion available-for-sale financial assets and RMB9.97 billion financial assets at fair value through profit or loss. About RMB131.20 billion of these financial assets are trust products, wealth investment products, etc., which do not have a quoted price in an active market. These investments are classified as level 3 in the fair value hierarchy, as their fairs values are measured using valuation techniques applying unobservable significant inputs. Fair value measurement is a subjective area and more so for financial assets reliant on model based valuation or with weak liquidity and price discovery. Valuation techniques for these financial assets can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different valuation results of fair value. Note 4 (3) and note 10 discloses the balance of these investments, which do not have a quoted price in an active market, the valuation techniques and significant unobservable inputs used in measurement of the fair values for these investments and the related fair value hierarchy information.	In our audit, we assessed and tested the design and operating effectiveness of the controls over valuation on financial assets which do not have a quoted price in an active market held by the Group, including price verification and model approval. With the assistance of our internal valuation specialists, we performed the following procedures, including independently assessing the valuation technique against industry practice and acceptable valuation methods, comparing assumptions used against appropriate benchmarks, analyzing the reason of significant differences and performing our own independent valuations.

INDEPENDENT AUDITOR'S REPORT (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2019

Consolidated Statement of Financial Position

As at 31 December 2018 (All amounts in RMB millions unless otherwise stated)

		As at 31 December	
	Notes	**2018**	2017
ASSETS			
Property, plant and equipment	*6*	**11,794**	8,517
Investment properties	*7*	**7,044**	4,741
Intangible assets	*8*	**3,665**	1,831
Investments in associates and joint ventures	*9*	**4,792**	4,896
Debt financial assets		**459,902**	463,468
– Held-to-maturity	*10(1)*	**214,531**	206,321
– Available-for-sale	*10(2)*	**191,773**	194,379
– At fair value through profit or loss	*10(3)*	**3,089**	1,168
– Loans and receivables	*10(4)*	**50,509**	61,600
Equity financial assets		**116,058**	131,370
– Available-for-sale	*10(2)*	**109,176**	126,006
– At fair value through profit or loss	*10(3)*	**6,882**	5,364
Term deposits	*10(5)*	**64,690**	41,809
Statutory deposits	*10(6)*	**1,715**	915
Policy loans		**31,327**	27,000
Financial assets purchased under agreements to resell		**4,318**	2,872
Accrued investment income	*10(7)*	**8,019**	7,173
Premiums receivable	*11*	**2,307**	2,338
Deferred tax assets	*20*	**1,777**	36
Reinsurance assets	*12*	**2,691**	2,195
Other assets	*13*	**4,825**	2,302
Cash and cash equivalents		**9,005**	8,812
Total assets		**733,929**	710,275

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	Notes	As at 31 December 2018	2017
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	14	**591,751**	573,170
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	**1,064**	827
– Unearned premiums liabilities	14	**1,805**	1,280
Investment contracts	15	**40,492**	33,928
Borrowings	16	**4,000**	4,000
Financial liabilities at fair value through profit or loss		**92**	9
Financial assets sold under agreements to repurchase	17	**12,959**	19,925
Benefits, claims and surrenders payable		**5,318**	3,176
Premiums received in advance		**1,808**	1,941
Reinsurance liabilities		**462**	237
Provisions	18	**29**	29
Other liabilities	19	**7,242**	6,624
Current income tax liabilities		**1,252**	1,352
Deferred tax liabilities	20	**59**	54
Total liabilities		**668,333**	646,552
Shareholders' equity			
Share capital	21	**3,120**	3,120
Reserves	22	**31,056**	33,395
Retained earnings		**31,411**	27,200
Equity attributable to owners of the parent		**65,587**	63,715
Non-controlling interests		**9**	8
Total equity		**65,596**	63,723
Total liabilities and equity		**733,929**	710,275

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	Notes	For the year ended 31 December 2018	2017
REVENUES			
Gross written premiums and policy fees	23	**122,341**	109,356
Less: premiums ceded out		**(1,932)**	(1,264)
Net written premiums and policy fees		**120,409**	108,092
Net change in unearned premiums liabilities		**(407)**	(102)
Net premiums earned and policy fees		**120,002**	107,990
Investment income	24	**31,185**	34,380
Other income	25	**777**	712
Total revenues		**151,964**	143,082
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities	26	**(2,481)**	(1,763)
Life insurance death and other benefits	26	**(81,182)**	(70,055)
Increase in long-term insurance contract liabilities	26	**(26,179)**	(30,663)
Policyholder dividends resulting from participating in profits		**(126)**	(4)
Investment contracts benefits		**(1,544)**	(1,273)
Commission and brokerage expenses		**(16,711)**	(15,908)
Administrative expenses	27	**(11,968)**	(13,777)
Other expenses	28	**(564)**	(891)
Total benefits, claims and expenses		**(140,755)**	(134,334)
Share of profits and losses of associates and joint ventures		**404**	296
Finance costs	29	**(1,103)**	(1,714)
Profit before income tax		**10,510**	7,330
Income tax expense	20	**(2,587)**	(1,946)
Net profit for the year		**7,923**	5,384
Net profit for the year attributable to:			
– Owners of the parent	30	**7,922**	5,383
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	31	**2.54**	1.73
Diluted	31	**2.54**	1.73

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2018	2017
Net profit for the year	**7,923**	5,384
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Changes in fair value	**(16,635)**	2,588
Losses/(gains) transferred to profit or loss from other comprehensive income	**905**	(1,855)
Impairment transferred to profit or loss from other comprehensive income	**1,835**	1,097
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**8,173**	(1,056)
Currency translation differences	**11**	(13)
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**(144)**	144
Income tax relating to components of other comprehensive income	**1,467**	(229)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	–
Total other comprehensive income for the year, net of tax	**(4,388)**	676
Total comprehensive income for the year	**3,535**	6,060
Total comprehensive income for the year attributable to:		
– Owners of the parent	**3,534**	6,059
– Non-controlling interests	**1**	1

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the parent					
	Share capital	Reserves (Note 22)	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended 31 December 2017						
As at 1 January 2017	3,120	31,646	24,352	59,118	7	59,125
Net profit for the year	–	–	5,383	5,383	1	5,384
Other comprehensive income	–	676	–	676	–	676
Total comprehensive income	–	676	5,383	6,059	1	6,060
Others	–	35	–	35	–	35
Dividends paid	–	–	(1,497)	(1,497)	–	(1,497)
Appropriation to reserves	–	1,038	(1,038)	–	–	–
Total transactions with owners	–	1,038	(2,535)	(1,497)	–	(1,497)
As at 31 December 2017	3,120	33,395	27,200	63,715	8	63,723
For the year ended 31 December 2018						
As at 1 January 2018	**3,120**	**33,395**	**27,200**	**63,715**	**8**	**63,723**
Net profit for the year	**–**	**–**	**7,922**	**7,922**	**1**	**7,923**
Other comprehensive income	**–**	**(4,388)**	**–**	**(4,388)**	**–**	**(4,388)**
Total comprehensive income	**–**	**(4,388)**	**7,922**	**3,534**	**1**	**3,535**
Others	**–**	**(40)**	**–**	**(40)**	**–**	**(40)**
Dividends paid (Note 32)	**–**	**–**	**(1,622)**	**(1,622)**	**–**	**(1,622)**
Appropriation to reserves	**–**	**2,089**	**(2,089)**	**–**	**–**	**–**
Total transactions with owners	**–**	**2,089**	**(3,711)**	**(1,622)**	**–**	**(1,622)**
As at 31 December 2018	**3,120**	**31,056**	**31,411**	**65,587**	**9**	**65,596**

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**10,510**	7,330
Adjustments for:		
Investment income	**(31,185)**	(34,380)
Finance costs	**1,103**	1,714
Net change in outstanding claims liabilities	**243**	203
Net change in unearned premiums liabilities	**407**	102
Increase in long-term insurance contract liabilities	**26,179**	30,663
Investment contract benefits	**1,544**	1,273
Policy fees	**(55)**	(62)
Depreciation and amortization	**763**	679
Impairment losses on other receivables	**(38)**	4
Losses on disposal of property, plant and equipment	**3**	(18)
Changes in operational assets and liabilities:		
Receivables and payables	**1,918**	(408)
Investment contracts	**5,319**	2,640
Income tax paid	**(2,943)**	(1,875)
Net cash flows from operating activities	**13,768**	7,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales and maturities of financial asset investments		
Proceeds from sales of debt financial assets	**24,866**	7,353
Proceeds from maturities of debt financial assets	**32,076**	98,968
Proceeds from sales of equity financial assets	**95,482**	88,630
Purchases of financial assets investments		
Purchase of debt financial assets	**(50,378)**	(135,692)
Purchase of equity financial assets	**(101,249)**	(106,186)
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**2**	409
Purchase of property, plant and equipment, intangible assets and other assets	**(7,806)**	(3,994)
Interests received	**26,966**	29,274
Dividends received	**6,183**	6,222
Term deposits, net	**(22,881)**	38,036
Financial assets purchased under agreements to resell, net	**(1,446)**	(548)
Others	**(5,061)**	(3,187)
Net cash flows from investing activities	**(3,246)**	19,285

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

	For the year ended 31 December	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings repaid	**–**	(10,000)
Interests and dividends paid	**(1,793)**	(2,140)
Acquisition of non-controlling interests	**115**	–
Financial assets sold under agreements to repurchase, net	**(8,760)**	(20,222)
Others	**(5)**	–
Net cash flows from financing activities	**(10,443)**	(32,362)
Effect of foreign exchange rate changes	**114**	(206)
Net increase/(decrease) in cash and cash equivalents	**193**	(5,418)
Cash and cash equivalents		
Beginning of the year	**8,812**	14,230
End of the year	**9,005**	8,812
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**9,005**	8,812
Total of cash and cash equivalents	**9,005**	8,812

The notes on pages 123 to 280 form an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was established as a joint stock limited company in September 1996 in Beijing, the People's Republic of China (the "PRC") with the authorization of the State Council of the PRC and the approval by the People's Bank of China. The Company's initial registered capital on the date of incorporation was Renminbi ("RMB") 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the former China Insurance Regulatory Commission (the "former CIRC"). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the overallotment shares. Upon the approval of the former CIRC, the Company's registered capital was increased to RMB3,120 million. In 2018, the address of the Company's registered office changed to No.16 East Hunan Road, Yanqing District, Beijing, the PRC. As at the approval date of the consolidated financial statements, the Company has not registered the change.

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

As at 31 December 2018, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 36(4). The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the "Group".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

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

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

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018

Amendments	Content
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 15 Amendments	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
IAS 40 Amendments	*Transfers of Investment Property*
Annual Improvements *2014-2016 Cycle*	*Amendments to IFRS 1 and IAS 28*

IFRS 2 Amendments – Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligations associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity -settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reason that:

(i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;

(ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there had been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

The associates of the Group, China Jinmao Holdings Group Limited ("China Jinmao") and New China Capital International Management Limited ("New China Capital International") adopted Hong Kong Financial Reporting Standards 9 Financial Instruments or IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using equity method.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) *Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)*

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Continued)

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2018 and fair value changes for the year ended 31 December 2018:

	Fair value as at 31 December 2018	Fair value changes for the year ended 31 December 2018
Held for trading financial assets (A)	9,971	(604)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	373,821	17,443
– Financial assets with contractual terms that do not meet SPPI terms (D)	207,216	(17,117)
Total	591,008	(278)

Note: Only including financial asset at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI terms.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for oversea bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 31 December 2018
AAA	**352,935**
AA+	**5,941**
AA	**2,258**
Total	**361,134**

For the oversea bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 31 December 2018
Baa2	**649**
Total	**649**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRS 4 Amendments – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Continued)

(ii) Credit risk exposure (Continued)

	As at 31 December 2018	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk (Note)	**8,199**	**8,221**

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

IFRS 15 – Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Given insurance contracts are scoped out of IFRS 15, the main impacts of the new standard are on the accounting treatment of income from investment management and other services. Therefore, the adoption of IFRS 15 has had no significant impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Considerations

IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

IAS 40 Amendments – Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments have had no impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(a) *Accounting standards' amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (Continued)*

Annual Improvements 2014-2016 Cycle – Improvements Amendments to IFRS 1 and IAS 28

IFRS 1 *First-time Adoption of International Financial Reporting Standards* deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable. These amendments are not applicable to the Group's consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures* clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments have had no impact on the Group's consolidated financial statements.

(b) *New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018*

Standards/Amendments	Content
IFRS 9	*Financial Instruments*

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(b) New accounting standards and amendments that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018 (Continued)

IFRS 9 – Financial Instruments (Continued)

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business model (hold to collect contractual cash flow, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of business model.

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealized gains and losses are recognized in other comprehensive income ("OCI"). Should the Group elects to record equity investments at FVOCI, gains and losses would never be recognized in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts on the collective provision.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's consolidated financial statements.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018

Standards/ Amendments	Content	Effective for annual periods beginning on or after
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*	1 January 2019
IFRS 16	*Leases*	1 January 2019
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
IAS 19 Amendments	*Plan Amendment, Curtailment or Settlement*	1 January 2019
IAS 28 Amendments	*Long Term Interest in Associates and Joint Ventures*	1 January 2019
Annual Improvements *2015-2017 Cycle*	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*	1 January 2019
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Note

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018 (Continued)

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

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit of loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. Any difference between the previous carrying amount and the adjusted carrying amount will be recognised in the opening balance of equity. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. As there is no specific relief on this clarification, this requirement shall be applied retrospectively. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS9 and, therefore, continues to apply IAS39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018 (Continued)

IFRS 16 – Leases

IFRS 16 replaces IAS 17 Leases, the standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a term of 12 months or less). At the commencement date of a lease, a lessee will recognize liabilities to make lease payments (i.e., the lease liabilities) and assets representing the right to use the underlying assets during the lease term (i.e., the right-of-use assets). The right-of-use assets is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use assets meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liabilities are subsequently increased to reflect the interest on the lease liabilities and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets. Lessees will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Lessees will generally recognize the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018 (Continued)

IFRS 16 – Leases (Continued)

The Group will adopt IFRS 16 from 1 January 2019.The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effective of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application and lease contracts of low-value assets. The Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB1,050 million and lease liabilities of RMB892 million will be recognised at 1 January 2019 while other assets will be reduced by RMB158 million respectively, with no corresponding adjustment to the opening balance of retained earnings.

IAS 28 Amendments – Long Term Interest in Associates and Joint Ventures

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2018 (Continued)

IFRS 17 – Insurance Contracts

IFRS 17 Insurance Contracts, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS17 is effectively for reporting period beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS9 and IFRS15 on or before the date it first applies IFRS17. In November 2018, the IASB has tentatively decided to defer the effective date of IFRS 17 by one year to reporting period beginning on or after 1 January 2022. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional year of deferral, meaning the first time in reporting periods beginning on or after 1 January 2022. At the time of issuance of these consolidated financial statements, the changes to the effective dates have not yet been finalized by the IASB. The Group is currently assessing the impact of the standard upon adoption.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group contains control, and continue to be consolidated until the date that such control ceases.

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(a) Subsidiaries

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

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(b) Transactions with non-controlling shareholders

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

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

(c) Associates and joint ventures

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(c) Associates and joint ventures (Continued)

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

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of consolidation (Continued)

(d) Structured entities

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) Segment reporting

The Group's segments information are presented in a manner consistent with the internal operating segments, the Group decides operating segments according to internal organization structure, management requirements, and internal management reporting policy.

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

(4) Foreign currency translation

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Intangible assets

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

Useful lives of intangible assets are listed below:

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets

(a) Classification

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

(i) Held-to-maturity investments

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

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

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

(iii) Available-for-sale financial assets

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(a) Classification (Continued)

(iv) Loans and receivables

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

(b) Recognition and measurement

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(b) Recognition and measurement (Continued)

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) Derecognition of financial assets

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

(i) the rights to receive cash flows from the asset have expired; or

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

(d) Term deposits

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

(e) Policy loans

Policy loans are carried at amortized cost less impairment.

(f) Financial assets purchased under agreements to resell

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

(g) Offsetting financial instruments

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial assets (Continued)

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

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

(10) Cash and cash equivalents

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

(11) Insurance contracts and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment 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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts

(i) Recognition and measurement

Short-term insurance contracts

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

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

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

Long-term insurance contracts

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

The 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 an expense analysis with consideration of estimate of future inflation and the likely impact of the Group's expense management.

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(i) Recognition and measurement (Continued)

Long-term insurance contracts (Continued)

Margin comprises risk margin and residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. The residual margin is the liabilities appropriated by the Group for not being recognized as "Day-one" gain at the inception of the contracts, and amortized over the life of the contracts, whereas on the other hand, "Day-one" loss is recognized as incurred. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimates of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

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

Universal life contracts and unit-linked contracts

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

- Insurance components
- Non-insurance components

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(b) Insurance contracts (Continued)

(ii) Liability adequacy test

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

(iii) Reinsurance contracts held

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(11) Insurance contracts and investment contracts (Continued)

(c) *Investment contracts*

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

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

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

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

(12) Financial liabilities

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Financial liabilities (Continued)

(b) Liabilities of investment contracts

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

(c) Borrowings

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

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

(13) Derivative instruments

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Employee benefits

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

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

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

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

(15) Share capital

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(16) Revenue recognition

(a) Premium and policy fee

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

(b) Investment income

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

(c) Other income

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

(17) Commission and brokerage expenses

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

(18) Income tax

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(18) Income tax (Continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(19) Government grants

The Group records monetary grants from the government in profit or loss in the year and the grants are received when there is no condition attached or there are no other bases existing for allocating the grants.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 at the end of the reporting period and makes. appropriate adjustments in order to reflect the current best estimate.

(22) Contingencies

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

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

(23) Earnings per share

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the consolidated financial statements would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgments

(1) Unbundling and classification of hybrid contracts

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgment affects the unbundling of insurance contracts.

In addition, the Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgment affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(2) Testing the significance of insurance risk

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Significant judgments (Continued)

(3) Operating lease – As the lessor

The Group, as the lessor, signs agreements with lessees when the investment properties are leased. According to the term of the lease agreement, the Group retains the substantially all the rewards and risks of the ownership of investment properties. So the Group accounts for the lease as an operating lease.

Estimation uncertainty

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

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

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

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

The impacts of the various assumptions are described in Note 3(8).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(2) Fair value of financial assets

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.

- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the year released by the Securities Exchange and funding companies or the net asset value of the last trading day of the year.

- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.

- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

(3) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgments about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(4) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

(5) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3(6) below; and pending lawsuits and disputes (Note 18). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

(6) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as Chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

In 2015, the Company received RMB170 million plus additional interest accrued during settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 million.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB874 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there has been significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 31 December 2018 (as at 31 December 2017: RMB915 million).

(7) Taxation

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

(8) Change of significant accounting estimates

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption. These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. For the year ended 31 December 2018, variations of related insurance contract reserves due to changes in these assumptions are recognized in the consolidated statement of comprehensive income. Long-term insurance contract liabilities increased by RMB5,038 million, and profit before income tax decreased by RMB5,038 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 20 March 2019.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT

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

(1) Insurance risk

(a) Types of insurance risk

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

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

Currently the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences. Information relating to major long-term insurance products is listed below:

	As at/for the year ended 31 December 2018					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Hongshuangxi New Type C endowment insurance (Participating) (i)	**76,366**	**12.91%**	**24**	**0.02%**	**18,266**	**22.32%**
Zunxiang Rensheng annuity insurance (Participating) (ii)	**37,808**	**6.39%**	**2,217**	**1.90%**	**1,934**	**2.36%**
Jixinggaozhao Type A endowment insurance (Participating) (iii)	**35,747**	**6.04%**	**3,865**	**3.31%**	**466**	**0.57%**
Furudonghai Type A whole life insurance (participating) (iv)	**32,383**	**5.47%**	**2,903**	**2.49%**	**313**	**0.38%**
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	**21,565**	**3.64%**	**10,183**	**8.72%**	**1,960**	**2.40%**
Others	**387,882**	**65.55%**	**97,534**	**83.56%**	**58,901**	**71.97%**
Total	**591,751**	**100.00%**	**116,726**	**100.00%**	**81,840**	**100.00%**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

	As at/for the year ended 31 December 2017					
	Liabilities for long-term insurance contracts		Gross written premiums		Gross benefit payments	
Product Name	Amount	% of total	Amount	% of total	Amount	% of total
Hongshuangxi New Type C endowment insurance (Participating) (i)	92,719	16.18%	214	0.20%	7,783	11.03%
Zunxiang Rensheng annuity insurance (Participating) (ii)	36,082	6.30%	2,656	2.52%	1,495	2.12%
Jixinggaozhao Type A endowment insurance (Participating) (iii)	31,850	5.56%	3,903	3.70%	455	0.64%
Furudonghai Type A whole life insurance (participating) (iv)	29,385	5.13%	3,069	2.91%	279	0.40%
Fuxiang Yisheng whole life annuity insurance (Participating) (v)	13,313	2.31%	11,004	10.44%	1,835	2.60%
Others	369,821	64.52%	84,602	80.23%	58,702	83.21%
Total	573,170	100.00%	105,448	100.00%	70,549	100.00%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

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

Hongshuangxi New Type C endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 4 types of durations: 10, 15, 20 and 30 years. Payments on maturity are the total of basic sum insured and dividend accumulation. For death due to illness within the first year, premium (interest excluded) is refunded; for death due to illness after the first year, death benefit is calculated based on the following formula: benefit = effective sum insured x effective policy years/premium payment period of insurance; for death due to illness after the payment period and before maturity, benefit is the total of basic sum insured and dividend accumulation; for death due to specific accident before the payment period, benefit is calculated based on the following formula: death benefit = 3 x effective sum insured x effective policy years/duration of insurance; for death due to specific accident after the payment period, benefit is three times of the total of basic insured and dividend accumulation; for death due to general accident before the payment period, benefit is calculated based on the following formula: death benefit = 2 x effective sum insured x effective policy years/duration of insurance; for death due to general accident after the payment period, benefit is two times of the total of basic insured and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, transfer of causes, maturity or other conditions which leads to the termination or optional termination of contracts.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

(ii) Zunxiang Rensheng annuity insurance (Participating)

Zunxiang Rensheng annuity insurance (Participating) is participating annuity insurance with single premium payment and annual premium payment. The insurance expires on the insurance effective date of the year when the insured is 80. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the caring annuity is 1% of the down payment of the insurance policy. If the insured lives on every second anniversary of the policy date from the effective date of the insurance contract to the 60-year-old policy anniversary date, the survival benefit is 9% of the base insured amount at the effective date of the policy. If the insured lives on every effective date of the insurance policy from the 60-year-old policy anniversary date to the 80-year-old policy anniversary date, the survival benefit is 9% of the insured amount at the effective date of the policy. For death and complete disability, benefit is the sum of 105% of the total of basic sum insured and dividend accumulation. For policy holders between 18 and 60 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(iii) Jixinggaozhao Type A endowment insurance (Participating)

Jixinggaozhao Type A endowment insurance (Participating) is participating endowment insurance with regular premium payment. There are 2 types of periods: 15, 20 and 30 years for duration and age 50, 55, 60, 65 and 70 for age. For death due to illness and completely disability within the 1st year, benefit is calculated based on the following formula: benefit = base insured amount x10%+premium paid; for death due to illness and completely disability after the 1st year, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for death and completely disability due to accident, benefit is calculated based on the following formula: benefit = 2 x sum of base insured amount and accumulated dividend; for maturity, benefit is the total of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk (Continued)

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

Furudonghai Type A whole life insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. For death due to illness within 1st year, the sum of 10% of the base insured amount and premium (interest excluded) is refunded. For death due to illness after the 1st year or death due to accident, benefit is the sum of base insured amount and dividend accumulation. For death or complete disability due to accident, benefit is the sum of base insured amount and dividend accumulation. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured, occurrence of exemption events, maturity or other conditions which leads to the termination or optional termination of contracts.

(v) Fuxiang Yisheng whole life annuity insurance (Participating)

Fuxiang Yisheng whole life annuity insurance (Participating) is whole life insurance with single premium payment and annual premium payment. The insurance expires when the insured die. If the insured lives on the next day at the end of the period of hesitation or on the effective date of the insurance policy every year, the survival benefit is 20% of the sum of base insured amount and dividend accumulation. For death, benefit is the sum of premium paid and dividend accumulation. For policy holders between 18 and 61 years old who encountered with death or complete disability, the insured would be exempt from the renewal of insurance premium from the date of death or complete disability was affirmed. Annual dividend is distributed by increasing sum insured. Maturity dividend is refunded after the 1st anniversary of the effective date due to death of complete disability of insured or other condition which leads to the termination of contract.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis

(i) Sensitivity analysis of long-term insurance contracts

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

Change in discount rates	**For the year ended 31 December**	
	2018	2017
+50 basis points ("bps")	**24,018**	20,520
-50bps	**(27,867)**	(23,605)

Change in mortality and morbidity rates	**For the year ended 31 December**	
	2018	2017
+10%	**(6,797)**	(5,435)
-10%	**7,215**	5,564

Change in lapse rates	**For the year ended 31 December**	
	2018	2017
+10%	**(3,887)**	(3,813)
-10%	**3,844**	3,996

Change in expenses	**For the year ended 31 December**	
	2018	2017
+10%	**(3,116)**	(2,820)
-10%	**2,898**	2,816

Key assumptions are disclosed in Note 14.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(c) Sensitivity analysis (Continued)

(ii) Sensitivity analysis of short-term insurance contracts

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

All other variables being constant, if the loss ratio increases or decreases by 100bps, estimated profit before income tax would decrease or increase by RMB15 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB32 million). Short-term insurance contract liabilities are not directly sensitive to the level of investment returns, as they are undiscounted and contractually non-interest-bearing.

Key assumptions are disclosed in Note 14.

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

Claims development analysis of the Group's short term insurance contracts gross of reinsurance is as follows:

	Accident year					
Cumulative claims	2014	2015	2016	2017	**2018**	Total
End of current year	1,272	1,252	1,393	1,912	**2,553**	8,382
1 year later	1,239	1,242	1,401	1,920	**–**	5,802
2 years later	1,224	1,236	1,401	–	**–**	3,861
3 years later	1,224	1,236	–	–	**–**	2,460
4 years later	1,224	–	–	–	**–**	1,224
Estimated claims expenses	1,224	1,236	1,401	1,920	**2,553**	8,334
Less: cumulative claims paid	(1,224)	(1,236)	(1,401)	(1,851)	**(1,607)**	(7,319)
Subtotal	–	–	–	69	**946**	1,015
Add: claims handling expenses	–	–	–	3	**46**	49
Unpaid claims expenses	–	–	–	72	**992**	1,064

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

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

Claims development analysis of the Group's short term insurance business net of reinsurance is as follows:

	Accident year					
Cumulative claims	2014	2015	2016	2017	**2018**	Total
End of current year	1,166	1,137	1,292	1,810	**2,470**	7,875
1 year later	1,124	1,130	1,301	1,818	**–**	5,373
2 years later	1,107	1,123	1,297	–	**–**	3,527
3 years later	1,107	1,123	–	–	**–**	2,230
4 years later	1,107	–	–	–	**–**	1,107
Estimated claims expenses	1,107	1,123	1,297	1,818	**2,470**	7,815
Less: cumulative claims paid	(1,107)	(1,123)	(1,297)	(1,750)	**(1,539)**	(6,816)
Subtotal	–	–	–	68	**931**	999
Add: claims handling expenses	–	–	–	3	**46**	49
Unpaid claims expenses	–	–	–	71	**977**	1,048

(2) Financial risk

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

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

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

Change in market interest rates	**Impact on profit (before income tax) For the year ended 31 December**	
	2018	2017
+50bps	**(15)**	(7)
-50bps	**15**	7

Change in market interest rates	**Impact on reserves (before income tax) For the year ended 31 December**	
	2018	2017
+50bps	**(758)**	(489)
-50bps	**794**	507

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(ii) Price risk

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

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

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

Change in equity financial assets' prices	**Impact on profit (before income tax) For the year ended 31 December**	
	2018	2017
+10%	**518**	377
-10%	**(518)**	(377)

Change in equity financial assets' prices	**Impact on reserves (before income tax) For the year ended 31 December**	
	2018	2017
+10%	**4,192**	4,578
-10%	**(4,192)**	(4,578)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar, Hong Kong dollar, or European dollar.

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

31 December 2018	**USD**	**HKD**	**EUR**	**Others**	**Total**
Cash and cash equivalents	**1,699**	**986**	**–**	**–**	**2,685**
Accrued investment income	**9**	**–**	**–**	**–**	**9**
Held-to-maturity investments	**615**	**–**	**–**	**–**	**615**
Financial assets at fair value through profit or loss	**1,458**	**99**	**–**	**–**	**1,557**
Available-for-sale financial assets	**2,240**	**5,917**	**2,560**	**955**	**11,672**
Total	**6,021**	**7,002**	**2,560**	**955**	**16,538**

31 December 2017	USD	HKD	EUR	Others	Total
Cash and cash equivalents	1,404	292	–	–	1,696
Accrued investment income	28	–	–	–	28
Held-to-maturity investments	1,561	–	–	–	1,561
Available-for-sale financial assets	2,651	6,969	2,546	969	13,135
Total	5,644	7,261	2,546	969	16,420

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk (Continued)

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity financial assets, mainly expose themselves to price risk. Considering other foreign currencies are pegged to USD, the Group combined the USD assets with the other monetary assets when conducting the currency risk analysis.

For the year ended 31 December 2018, if RMB had strengthened or weakened by 10% against USD dollar and other foreign currencies with all other variables being constant, considering the effect on insurance and financial liabilities for participating products and unit-linked products, profit before tax would have been decreased or increased by RMB443 million (for the year ended 31 December 2017: RMB305 million), other comprehensive income would have been decreased or increased by RMB990 million (for the year ended 31 December 2017: RMB1,117million).

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, bank wealth investment products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures in 2018: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned, other national commercial banks or state-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit risk exposure

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

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, collateral, or use the budgeted financial income of the central government as the source of funding for repayment.

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products, wealth investment products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit quality (Continued)

Proportion	As at 31 December	
	2018	2017
Financial institution bonds issued by domestic non-policy bank having a credit rating of AA/A-2 or above	**100%**	100%
Corporate bonds having a credit rating of AA/A-2 or above held by the Group	**100%**	100%
Subordinated bonds/debts having a credit rating of AA/A-2 or above, or issued by national banks or insurance companies	**100%**	100%
Bank deposits with the four largest state-owned commercial banks and other commercial banks in the PRC	**96.91%**	97.29%

The credit risk associated with financial assets purchased under agreements to resell and policy loans will not have a material impact on the consolidated financial statements of the Group for they have collateral and the maturity is within one year.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 4(2)(e)).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

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

As at 31 December 2018	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 financial assets	459,902	–	68,083	170,010	104,569	290,305
Equity financial assets	116,058	116,058	–	–	–	–
Term deposits	64,690	–	8,781	24,448	40,160	1,626
Statutory deposits	1,715	–	729	344	988	–
Policy loans	31,327	–	31,327	–	–	–
Financial assets purchased under agreements to resell	4,318	–	4,321	–	–	–
Accrued investment income	8,019	–	8,012	7	–	–
Premiums receivable	2,307	–	2,307	–	–	–
Reinsurance assets	2,691	–	408	(273)	1,013	2,081
Cash and cash equivalents	9,005	–	9,005	–	–	–
Total financial and insurance assets	700,032	116,058	132,973	194,536	146,730	294,012
Financial and insurance liabilities						
Long-term insurance contracts	(591,751)	–	21,242	49,803	28,574	(1,605,650)
Short-term insurance contracts	(2,869)	–	(1,912)	–	–	–
Investment contracts	(40,492)	–	(3,572)	(10,945)	(4,281)	(102,028)
Borrowings	(4,000)	–	(4,224)	–	–	–
Financial liabilities at fair value through profit or loss	(92)	(92)	–	–	–	–
Financial assets sold under agreements to repurchase	(12,959)	–	(12,963)	–	–	–
Benefits, claims and surrenders payable	(5,318)	–	(5,318)	–	–	–
Reinsurance liabilities	(462)	–	(462)	–	–	–
Total financial and insurance liabilities	(657,943)	(92)	(7,209)	38,858	24,293	(1,707,678)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2017		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 financial assets	463,468	–	54,261	177,830	136,340	264,067
Equity financial assets	131,370	131,370	–	–	–	–
Term deposits	41,809	–	3,427	14,263	30,274	–
Statutory deposits	915	–	95	819	60	–
Policy loans	27,000	–	27,000	–	–	–
Financial assets purchased under agreements to resell	2,872	–	2,877	–	–	–
Accrued investment income	7,173	–	7,138	35	–	–
Premiums receivable	2,338	–	2,338	–	–	–
Reinsurance assets	2,195	–	339	(251)	777	1,704
Cash and cash equivalents	8,812	–	8,812	–	–	–
Total financial and insurance assets	687,952	131,370	106,287	192,696	167,451	265,771
Financial and insurance liabilities						
Long-term insurance contracts	(573,170)	–	(832)	19,999	24,537	(1,457,773)
Short-term insurance contracts	(2,107)	–	(1,486)	–	–	–
Investment contracts	(33,928)	–	(3,772)	(7,588)	(4,365)	(44,620)
Borrowings	(4,000)	–	(224)	(4,224)	–	–
Financial liabilities at fair value through profit or loss	(9)	(9)	–	–	–	–
Financial assets sold under agreements to repurchase	(19,925)	–	(19,934)	–	–	–
Benefits, claims and surrenders payable	(3,176)	–	(3,176)	–	–	–
Reinsurance liabilities	(237)	–	(237)	–	–	–
Total financial and insurance liabilities	(636,552)	(9)	(29,661)	8,187	20,172	(1,502,393)

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(c) Liquidity risk (Continued)

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

Although the contractual terms can be exercised immediately by all policyholders, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The Group has prepared another maturity analysis assuming that all investment contracts were surrendered immediately. This would cause a cash outflow of RMB40,490 million as at 31 December 2018, payable within one year (as at 31 December 2017: RMB33,913 million).

(d) Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity

The Group's investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments are subject to the terms and conditions of the respective offering documents. The Group makes investment decisions after extensive due diligence of those underlying trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management product, private equity and other unlisted equity investments, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those investments mentioned above after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The carrying amount of investments in those trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments is the best representation of the Group's maximum exposure to loss from those investments.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(d) *Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity (Continued)*

Category of investment	Classification of investment	Carrying amount	Types of income	Amount of income
Debt financial assets				
Trust products	Available-for-sale financial assets	66,281	Interest income	4,191
Debt investment plans	Loans and receivables	39,109	Interest income	2,376
Asset funding plans	Loans and receivables	10,000	Interest income	1,302
Perpetual bonds	Available-for-sale financial assets	5,000	Interest income	252
Wealth investment products	Available-for-sale financial assets	64,299	Interest income	3,389
Equity financial assets				
Equity investment plans	Available-for-sale financial assets	4,700	Dividend income	280
Asset management products	Available-for-sale financial assets	13,568	Dividend income	899
Other unlisted equity investments	Available-for-sale financial assets	18,565	Dividend income	1,098
Private equity	Available-for-sale financial assets	4,443	Dividend income	28
Wealth investment products	Available-for-sale financial assets	116	Dividend income	–

(e) *Matching risk of assets and liabilities*

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management

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

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

The table below summarises the solvency ratios, actual capital, and minimum capital of the Company:

	As at 31 December	
	2018	2017
Core capital	**221,299**	192,528
Actual capital	**225,299**	196,528
Minimum capital	**82,072**	69,773
Core solvency margin ratio	**269.64%**	275.93%
Comprehensive solvency margin ratio	**274.51%**	281.67%

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(f) Capital management (Continued)

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

(i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;

(ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are relatively low;

(iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;

(iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the fourth quarter of 2018 is A.

(3) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

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.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

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

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

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as at 31 December 2018. The disclosure below excludes financial instruments for which the fair value approximates the carrying amount. This is the case because of the short term nature of certain trust products and wealth management products, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value since inception in 2018.

Available-for-sale financial assets	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Trust products	66,281	Discounted cash flow	Discount rate	4.55%-7.6%	The higher the discount rate, the lower the fair value.
Wealth investment products	64,299	Discounted cash flow	Discount rate	2.8%-5.45%	The higher the discount rate, the lower the fair value.

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2018 and 2017:

As at 31 December 2018	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	65,362	15,490	616	81,468
– Debt financial assets	879	55,314	130,580	186,773
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	6,882	–	–	6,882
– Debt financial assets	1,601	1,488	–	3,089
Total	74,724	72,292	131,196	278,212
Liabilities				
Financial liabilities at fair value through profit or loss	–	92	–	92
Unit-linked contracts	–	133	–	133
Total	–	225	–	225

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

As at 31 December 2017	Inputs to fair value measurement			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity financial assets	100,902	1,191	500	102,593
– Debt financial assets	848	54,045	134,486	189,379
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	5,201	163	–	5,364
– Debt financial assets	404	764	–	1,168
Total	107,355	56,163	134,986	298,504
Liabilities				
Financial liabilities at fair value through profit or loss	–	9	–	9
Unit-linked contracts	–	217	–	217
Total	–	226	–	226

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the years ended 31 December 2017 and 2018.

For the year ended 31 December 2018	**Level 1**	**Level 2**
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	**18**	**6,178**
– Transfer out	**(6,178)**	**(18)**
Debt financial assets		
– Transfer in	**683**	**–**
– Transfer out	**–**	**(683)**

For the year ended 31 December 2017	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	399	839
– Transfer out	(839)	(399)
Debt financial assets		
– Transfer in	401	1,251
– Transfer out	(1,251)	(401)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	–	12
– Transfer out	(12)	–

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

There were no transfers into or out of Level 3 for the years ended 31 December 2018 and 2017.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale			At fair value through profit or loss	
	Equity financial assets	Debt financial assets	Subtotal	Designated as at fair value through profit or loss	Total
1 January 2017	500	133,740	134,240	2,588	136,828
Purchase	–	78,216	78,216	–	78,216
Maturity	–	(77,470)	(77,470)	(2,588)	(80,058)
31 December 2017	500	134,486	134,986	–	134,986
1 January 2018	**500**	**134,486**	**134,986**	**–**	**134,986**
Purchase	**152**	**4,472**	**4,624**	**–**	**4,624**
Maturity	**(36)**	**(8,378)**	**(8,414)**	**–**	**(8,414)**
31 December 2018	**616**	**130,580**	**131,196**	**–**	**131,196**

There are no material gains or losses recognized in other comprehensive income or profit or loss for the year ended 31 December 2018 that are attributable to Level 3 financial assets held by the Group as at 31 December 2018 (as at 31 December 2017: Nil).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, investment properties, financial assets sold under agreements to repurchase and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables, investment properties and borrowings, which all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 31 December 2018 and 31 December 2017:

	As at 31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Held-to-maturity	**18,342**	**208,245**	**–**	**226,587**
Loans and receivables	**–**	**–**	**50,509**	**50,509**
Investment Properties	**–**	**–**	**8,417**	**8,417**
Total	**18,342**	**208,245**	**58,926**	**285,513**
Liabilities				
Borrowings	**–**	**(4,061)**	**–**	**(4,061)**
Total	**–**	**(4,061)**	**–**	**(4,061)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

4 RISK MANAGEMENT (Continued)

(3) Fair value hierarchy (Continued)

(b) Assets and liabilities for which fair values are disclosed (Continued)

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	16,283	185,909	–	202,192
Loans and receivables	–	–	61,600	61,600
Investment Properties	–	–	6,002	6,002
Total	16,283	185,909	67,602	269,794
Liabilities				
Borrowings	–	(4,015)	–	(4,015)
Total	–	(4,015)	–	(4,015)

The Group has not disclosed fair values for certain investment contract liabilities with DPF because the fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

5 SEGMENT INFORMATION

(1) Operating segments

The Group mainly has the following three segments:

(i) Individual insurance business

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

(ii) Group insurance business

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

(iii) Other business

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(2) Allocation basis of income and expense

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

(3) Allocation basis of assets and liabilities

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

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

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

For the year ended 31 December 2018, no gross written premiums and policy fees from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums and policy fees.

(5) The transfer prices among operating segments are determined at fair value with reference to transactions with third parties

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2018				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	120,014	2,327	–	–	122,341
Less: premiums ceded out	(1,789)	(143)	–	–	(1,932)
Net written premiums and policy fees	118,225	2,184	–	–	120,409
Net change in unearned premiums liabilities	(392)	(15)	–	–	(407)
Net premiums earned and policy fees	117,833	2,169	–	–	120,002
Investment income	30,751	301	84	49	31,185
Including: inter-segment revenue	(45)	(4)	–	49	–
Other income	521	12	798	(554)	777
Including: inter-segment revenue	14	1	539	(554)	–
Total revenues	149,105	2,482	882	(505)	151,964
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(1,102)	(1,379)	–	–	(2,481)
Life insurance death and other benefits	(81,037)	(145)	–	–	(81,182)
Increase in long-term insurance contract liabilities	(26,138)	(41)	–	–	(26,179)
Policyholder dividends resulting from participation in profits	(126)	–	–	–	(126)
Investment contract benefits	(1,385)	(159)	–	–	(1,544)
Commission and brokerage expenses	(16,327)	(384)	–	–	(16,711)
Administrative expenses	(10,809)	(1,075)	(616)	532	(11,968)
Including: inter-segment expenses	(466)	(47)	(19)	532	–
Other expenses	(174)	(21)	(390)	21	(564)
Including: inter-segment expense	–	–	(21)	21	–
Total benefits, claims and expenses	(137,098)	(3,204)	(1,006)	553	(140,755)
Share of results of associates and joint ventures	400	4	–	–	404
Finance costs	(990)	(113)	–	–	(1,103)
Net profit before income tax	11,417	(831)	(124)	48	10,510
Segment assets	688,755	6,850	38,387	(63)	733,929
Segment liabilities	653,705	5,746	8,945	(63)	668,333

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2018:

	Insurance				
Other segment information	**Individual**	**Group**	**Others**	**Elimination**	**Total**
Capital expenditure	**–**	**–**	**7,806**	**–**	**7,806**
Depreciation and amortization	**(660)**	**(67)**	**(36)**	**–**	**(763)**
Interest income	**27,683**	**271**	**104**	**35**	**28,093**
Impairment	**(1,777)**	**(20)**	**–**	**–**	**(1,797)**
Share of results of associates and joint ventures	**400**	**4**	**–**	**–**	**404**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2017				
	Insurance				
	Individual	Group	Others	Elimination	Total
Revenues					
Gross written premiums and policy fees	107,223	2,133	–	–	109,356
Less: premiums ceded out	(1,113)	(151)	–	–	(1,264)
Net written premiums and policy fees	106,110	1,982	–	–	108,092
Net change in unearned premiums liabilities	(49)	(53)	–	–	(102)
Net premiums earned and policy fees	106,061	1,929	–	–	107,990
Investment income	33,881	330	168	1	34,380
Including: inter-segment revenue	(1)	–	–	1	–
Other income	449	12	906	(655)	712
Including: inter-segment revenue	16	1	638	(655)	–
Total revenues	140,391	2,271	1,074	(654)	143,082
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(706)	(1,057)	–	–	(1,763)
Life insurance death and other benefits	(69,864)	(191)	–	–	(70,055)
Increase in long-term insurance contract liabilities	(30,588)	(75)	–	–	(30,663)
Policyholder dividends resulting from participation in profits	–	–	(4)	–	(4)
Investment contract benefits	(1,070)	(203)	–	–	(1,273)
Commission and brokerage expenses	(15,503)	(405)	–	–	(15,908)
Administrative expenses	(12,560)	(1,169)	(704)	656	(13,777)
Including: inter-segment expenses	(583)	(55)	(18)	656	–
Other expenses	(471)	(33)	(387)	–	(891)
Total benefits, claims and expenses	(130,762)	(3,133)	(1,095)	656	(134,334)
Share of results of associates and joint ventures	293	3	–	–	296
Finance costs	(1,436)	(278)	–	–	(1,714)
Net profit before income tax	8,486	(1,137)	(21)	2	7,330
Segment assets	679,928	6,799	23,754	(206)	710,275
Segment liabilities	632,018	6,598	8,142	(206)	646,552

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

Other segment information for the year ended 31 December 2017:

	Insurance				
Other segment information	Individual	Group	Others	Elimination	Total
Capital expenditure	–	–	3,994	–	3,994
Depreciation and amortization	(590)	(56)	(33)	–	(679)
Interest income	26,940	264	121	–	27,325
Impairment	(1,089)	(12)	–	–	(1,101)
Share of results of associates and joint ventures	293	3	–	–	296

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2018	6,183	902	172	2,563	9,820
Additions	146	109	1	5,929	6,185
Transfers upon completion	1,127	1	–	(1,128)	–
Transfer from investment properties	413	–	–	–	413
Acquisition of subsidiaries	26	4	1	2	33
Transfer to investment properties	–	–	–	(2,807)	(2,807)
Transfer to intangible assets	–	–	–	(171)	(171)
Transfer to other assets	–	–	–	(48)	(48)
Disposals	–	(37)	(6)	–	(43)
Others	–	–	–	(1)	(1)
As at 31 December 2018	7,895	979	168	4,339	13,381
Accumulated depreciation					
As at 1 January 2018	(671)	(545)	(87)	–	(1,303)
Charges for the year	(168)	(102)	(13)	–	(283)
Transfer from investment properties	(39)	–	–	–	(39)
Acquisition of subsidiaries	(2)	–	–	–	(2)
Disposals	–	35	5	–	40
As at 31 December 2018	(880)	(612)	(95)	–	(1,587)
Net book value					
As at 1 January 2018	5,512	357	85	2,563	8,517
As at 31 December 2018	7,015	367	73	4,339	11,794

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2017	6,284	1,166	180	1,557	9,187
Additions	24	132	3	2,923	3,082
Transfers upon completion	388	12	–	(400)	–
Reclassification	(35)	35	–	–	–
Transfer to investment properties	(422)	–	–	(1,064)	(1,486)
Transfer to intangible assets	–	–	–	(169)	(169)
Transfer to construction in progress	(45)	–	–	45	–
Transfer to other assets	(9)	–	–	(82)	(91)
Disposals	(2)	(443)	(11)	(235)	(691)
Others	–	–	–	(12)	(12)
As at 31 December 2017	6,183	902	172	2,563	9,820
Accumulated depreciation					
As at 1 January 2017	(557)	(699)	(82)	–	(1,338)
Charges for the year	(157)	(140)	(13)	–	(310)
Reclassification	2	(2)	–	–	–
Transfer to investment properties	40	–	–	–	40
Disposals	1	296	8	–	305
As at 31 December 2017	(671)	(545)	(87)	–	(1,303)
Net book value					
As at 1 January 2017	5,727	467	98	1,557	7,849
As at 31 December 2017	5,512	357	85	2,563	8,517

The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately RMB732 million as at 31 December 2018 (as at 31 December 2017: RMB765 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2018	2017
Cost		
Beginning of the year	**5,214**	3,728
Transfers from property, plant and equipment (Note 6)	**2,807**	1,486
Transfer to property, plant and equipment (Note 6)	**(413)**	–
Additions	**27**	–
End of the year	**7,635**	5,214
Accumulated depreciation		
Beginning of the year	**(473)**	(333)
Transfers from property, plant and equipment (Note 6)	**–**	(40)
Transfer to property, plant and equipment (Note 6)	**39**	–
Charges for the year	**(157)**	(100)
End of the year	**(591)**	(473)
Net book value		
Beginning of the year	**4,741**	3,395
End of the year	**7,044**	4,741

Rental income from investment properties is recognized in "Other income" (Note 25).

According to the asset valuation report issued by Jones Lang LaSalle (Beijing) Real Estate Valuation Consulting Limited, the fair value of investment properties as at 31 December 2018 was RMB8,417 million (as at 31 December 2017: RMB6,002 million). The techniques used for the valuation of investment properties include the income approach and sales comparison approach. The fair value of investment properties is categorized within level 3.

The Group has obtained the legal title in respect of the entire ownership of buildings as at 31 December 2018. The Group was in the process of obtaining the legal title in respect of the ownership of buildings with an aggregate net book value of approximately 273 million as at 31 December 2017.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value at 31 December 2018	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Shanghai -Shanhai Harbor	1,966	Unit price	Office RMB65,000-72,000 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB84,500-111,111 per square meter	The higher the unit price, the higher the fair value.
		Rental value	Garage RMB1,000-1,600 per month per unit	The higher the rental value, the higher the fair value.
Rental units-Xiamen	1,726	Unit price	Office RMB26,000-27,500 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Commercial RMB48,800-51,800 per square meter	The higher the unit price, the higher the fair value.
		Unit price	Garage RMB500,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Beijing-NCI Tower	856	Rental value	Office RMB11.4-13.79 per day per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB24.8-27 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental units-Xi'an	677	Rental value	RMB3.81-4 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-6.5%	The higher the market yield, the lower the fair value.
Rental units-Hangzhou	670	Rental value	RMB4.7-5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-6.5%	The higher the market yield, the lower the fair value.
Rental units-Shandong	442	Rental value	RMB3.2-3.5 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental units-Shanxi	373	Rental value	RMB3-3.4 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-8%	The higher the rental value, the higher the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2018	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Haikou	329	Rental value	Office RMB3.33-4.20 per day per square meter	The higher the market yield, the lower the fair value.
		Rental value	Commercial RMB8.20-9.17 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	Office 6.5%-7%	The higher the market yield, the lower the fair value.
		Market yield	Commercial 5.5%-7%	The higher the market yield, the lower the fair value.
		Unit price	Garage RMB160,000-180,000 per unit	The higher the unit price, the higher the fair value.
Rental units-Beijing-Deshengshangcheng	229	Rental Value	RMB8-8.4 per day per square meter	The higher the rental value, the higher the fair value.
		Market value	5.5%-6%	The higher the market yield, the lower the fair value.
Rental units-Yinchuan	201	Rental value	RMB2.1-2.67 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.5%-7%	The higher the market yield, the lower the fair value.
Rental units-Shenzhen	165	Unit price	RMB48,000-48,800 per square meter	The higher the unit price, the higher the fair value.
Rental units-Guangxi	140	Rental value	RMB4.3-4.67 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-8%	The higher the market yield, the lower the fair value.
Rental units- Zhengzhou	116	Rental value	Office RMB2.6 per day per square meter	The higher the rental value, the higher the fair value.
		Rental value	Commercial RMB5.5-5.7 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	Office 4.5%-5.5%	The higher the market yield, the lower the fair value.
		Market yield	Commercial 5%-5.5%	The higher the market yield, the lower the fair value.
Rental units-Huizhou	112	Rental value	RMB2.5-2.7 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-5.5%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

	Fair value at 31 December 2018	Significant unobservable inputs	Range of unobservable inputs	Relationship between unobservable inputs and fair value
Rental units-Wuhan	111	Rental value	RMB9.8-10.83 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-6.5%	The higher the market yield, the lower the fair value.
Rental units-Nanjing	109	Rental value	RMB9.3-10 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-5.5%	The higher the market yield, the lower the fair value.
Rental units-Shanghai-Jinshan FIC Building	55	Unit Price	RMB33,333-35,669 per square meter	The higher the unit price, the higher the fair value.
Rental units-Hohhot	48	Rental value	RMB2-2.3 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6.5%-7%	The higher the market yield, the lower the fair value.
Rental units-Weifang	29	Rental value	RMB1.6-1.61 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	7%-8%	The higher the market yield, the lower the fair value.
Rental units-Fuzhou	25	Rental value	RMB2.6-2.67 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5.5%-6%	The higher the market yield, the lower the fair value.
Rental units-Shenyang-Zhongrun International Building	25	Rental value	RMB1.64-1.91 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-7%	The higher the market yield, the lower the fair value.
Rental units-Shenyang-Zhonghui Plaza	10	Rental value	RMB3-3.1 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	6%-7%	The higher the market yield, the lower the fair value.
Rental units-Yantai	3	Rental value	RMB1.6-1.7 per day per square meter	The higher the rental value, the higher the fair value.
		Market yield	5%-6%	The higher the market yield, the lower the fair value.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

8 INTANGIBLE ASSETS

The intangible assets held by the Group are computer software and land use rights.

	Computer software	Land use rights	Total
Cost			
As at 1 January 2018	950	1,585	2,535
Additions	51	1,758	1,809
Transfer from construction in progress	171	–	171
Acquisition of Subsidiary	50	–	50
As at 31 December 2018	1,222	3,343	4,565
Accumulated amortization			
As at 1 January 2018	(541)	(163)	(704)
Amortization	(145)	(51)	(196)
As at 31 December 2018	(686)	(214)	(900)
Net book value			
As at 1 January 2018	409	1,422	1,831
As at 31 December 2018	536	3,129	3,665

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

8 INTANGIBLE ASSETS (Continued)

	Computer software	Land use rights	Total
Cost			
As at 1 January 2017	757	1,585	2,342
Additions	25	–	25
Transfers upon completion	169	–	169
Disposals	(1)	–	(1)
As at 31 December 2017	950	1,585	2,535
Accumulated amortization			
As at 1 January 2017	(427)	(123)	(550)
Amortization	(114)	(40)	(154)
As at 31 December 2017	(541)	(163)	(704)
Net book value			
As at 1 January 2017	330	1,462	1,792
As at 31 December 2017	409	1,422	1,831

The Group was in the process of obtaining the legal title in respect of the ownership of land use rights with an aggregate net book value of approximately RMB1,758 million as at 31 December 2018. The Group has obtained the legal title in respect of the entire ownership of land use rights as at 31 December 2017.

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	For the year ended 31 December	
	2018	2017
Beginning of the year	**4,896**	4,575
Share of profit	**404**	296
Cash dividend from investments in associates and joint ventures	**(303)**	(166)
Share of other comprehensive income	**(148)**	149
Share of other reserves	**(55)**	48
Currency translation differences	**(2)**	(6)
End of the year	**4,792**	4,896

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Details of investments in associates and joint ventures:

Name of entity	Country of incorporation	Particulars of issued shares held	Interest held	Principal activities	Measurement method
Associates					
China Jinmao	Hong Kong, the PRC	N/A	9.21%	Real estate development	Equity
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (1)	Beijing, the PRC	RMB2,500 million	24%	Real estate development, etc.	Equity
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	Beijing, the PRC	USD4 million	30%	Medical services, etc.	Equity
New China Capital International	Cayman Islands	N/A	39.86%	Asset management	Equity
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou")	Nanjing, the PRC	RMB19.1 million	40%	Education investment, etc.	Equity
Joint venture					
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	Beijing, the PRC	RMB1,127 million	45%	Asset management, etc.	Equity

(1) As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. As at the approval date of the consolidated financial statements, the Company has not signed any sales agreement.

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at the last trading day in 2018, the stock price of China Jinmao was HKD3.52 per share.

Except China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment

The following tables illustrate the summarized financial information in respect of the material associate investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December 2018 China Jinmao	As at/For the year ended 31 December 2017 China Jinmao
Current assets	**147,210**	117,018
Non-current assets	**124,212**	104,987
Total assets	**271,422**	222,005
Current liabilities	**121,876**	107,158
Non-current liabilities	**71,282**	48,433
Total liabilities	**193,158**	155,591
Equity attributable to shareholders of the Group	**35,765**	32,764
Less: perpetual convertible securities	**–**	–
Equity attributable to shareholders of the company after adjustment	**35,765**	32,764
Group's share of net assets of the associates	**3,293**	3,265
Adjustments	**(215)**	(86)
Carrying amount of the investment in China Jinmao	**3,078**	3,179
Revenues	**38,733**	31,075
Profit for the year	**7,375**	5,150
Total comprehensive income for the year	**3,770**	5,260
Dividends received	**268**	158

China Jinmao is a material associate investment of the Group accounted for using the equity method. The investment is not strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material associate investment (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at/For the year ended 31 December	
	2018	2017
Aggregate carrying amount of the Group's investments in the associates	**1,039**	1,042
Total of Group's share of the following items of the associates		
Profit for the year	**34**	29
Other comprehensive income	**–**	–
Total comprehensive income for the year	**34**	29

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Material joint venture investment

The following tables illustrate the summarized financial information in respect of the material joint venture investment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at/For the year ended 31 December	
	2018 New China Health	2017 New China Health
Current assets	**1,046**	955
Non-current assets	**142**	241
Total assets	**1,188**	1,196
Current liabilities	**169**	177
Non-current liabilities	**–**	–
Total liabilities	**169**	177
Equity attributable to shareholders of the Group	**1,019**	1,019
Group's share of net assets of the joint venture	**459**	459
Adjustments	**216**	216
Carrying amount of the investment in New China Health	**675**	675
Revenues	**294**	230
Loss for the year	**–**	(88)
Total comprehensive income for the year	**–**	(88)

New China Health, focused on health management business, is a material joint venture investment of the Group accounted for using the equity method. The investment is strategic to the Group's activities.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS

(1) Held-to-maturity investments

	As at 31 December 2018	As at 31 December 2017
Debt financial assets		
Government bonds	**86,090**	71,474
Financial bonds	**28,558**	31,050
Corporate bonds	**41,110**	45,030
Subordinated bonds	**58,773**	58,767
Total	**214,531**	206,321
Debt financial assets		
Listed	**70,149**	65,248
Unlisted	**144,382**	141,073
Total	**214,531**	206,321

For the year ended 31 December 2018, the Group sold held-to-maturity investments with the par value of RMB2,405 million in advance due to the severe deterioration of credit status.

The fair value of the held-to-maturity investments as at 31 December 2018 was RMB226,587 million (as at 31 December 2017: RMB202,192 million).

The fair value of listed held-to-maturity investments was RMB74,054 million as at 31 December 2018 (as at 31 December 2017: RMB63,834 million).

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and debt financial assets not publicly traded.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**7,498**	13,057
After 1 year but within 3 years (including 3 years)	**26,920**	22,163
After 3 years but within 5 years (including 5 years)	**34,515**	41,772
After 5 years	**145,598**	129,329
Total	**214,531**	206,321

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets

	As at 31 December 2018	As at 31 December 2017
Debt financial assets		
Government bonds	**7,187**	1,693
Financial bonds	**21,022**	16,515
Corporate bonds	**15,334**	24,690
Subordinated bonds	**12,650**	11,995
Perpetual bonds	**5,000**	5,000
Trust products	**66,281**	63,756
Wealth investment products	**64,299**	70,730
Subtotal	**191,773**	194,379
Equity financial assets		
Funds	**37,127**	45,623
Stock	**29,466**	37,772
Preferred stock	**1,066**	1,171
Asset management products	**13,568**	17,864
Private equity	**4,443**	4,128
Wealth investment products	**116**	–
Equity investment plans	**4,700**	4,700
Other unlisted equity investments	**18,565**	14,585
Others	**125**	163
Subtotal	**109,176**	126,006
Total	**300,949**	320,385
Debt financial assets		
Listed	**9,304**	6,423
Unlisted	**182,469**	187,956
Subtotal	**191,773**	194,379
Equity financial assets		
Listed	**32,646**	42,426
Unlisted	**76,530**	83,580
Subtotal	**109,176**	126,006
Total	**300,949**	320,385

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(2) Available-for-sale financial assets (continued)

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

Maturity	As at 31 December 2018	As at 31 December 2017
Within 1 year (including 1 year)	**29,960**	9,400
After 1 year but within 3 years (including 3 years)	**80,285**	87,901
After 3 years but within 5 years (including 5 years)	**39,318**	62,016
After 5 years	**42,210**	35,062
Total	**191,773**	194,379

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(3) Financial assets at fair value through profit or loss

	As at 31 December 2018	As at 31 December 2017
Held for trading		
Debt financial assets		
Government bonds	**300**	308
Financial bonds	**–**	18
Corporate bonds	**2,274**	442
Subordinated bonds	**515**	400
Debt financial assets subtotal	**3,089**	1,168
Equity financial assets		
Funds	**5,171**	4,195
Stocks	**1,711**	1,169
Equity financial assets subtotal	**6,882**	5,364
Subtotal	**9,971**	6,532
Total	**9,971**	6,532
Debt financial assets		
Listed	**2,330**	505
Unlisted	**759**	663
Subtotal	**3,089**	1,168
Equity financial assets		
Listed	**3,375**	1,206
Unlisted	**3,507**	4,158
Subtotal	**6,882**	5,364
Total	**9,971**	6,532

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 31 December 2018	As at 31 December 2017
Asset funding plans (i)	**10,000**	20,000
Debt investment plan (ii)	**39,109**	40,200
Subordinated debts	**1,400**	1,400
Total	**50,509**	61,600

(i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan ("Orient No.1 Funding Plan") and New China Life – Huarong No.1 Asset Funding Plan ("Huarong No.1 Funding Plan").

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group's exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. ("Orient Asset") should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the Funding Plan are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group's exposure is limited to the outstanding principal and interest. Under this 7-year funding plan, China Huarong Asset Management Co. ("Huarong Asset") should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset which were verified by the plan manager of the Funding Plan, which are co-managed by Huarong Asset, the Trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan. Huarong No.1 Funding Plan was fully redeemed on 18 December 2018.

(ii) Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**7,000**	2,209
After 1 year but within 3 years (including 3 years)	**19,100**	11,100
After 3 years but within 5 years (including 5 years)	**37,090**	28,500
More than 5 years	**1,500**	–
Total	**64,690**	41,809

(6) Statutory deposits

The due dates of the statutory deposits are as follows:

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**665**	95
After 1 year but within 3 years (including 3 years)	**300**	770
After 3 years but within 5 years (including 5 years)	**750**	50
Total	**1,715**	915

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

10 FINANCIAL ASSETS (Continued)

(7) Accrued investment income

	As at 31 December 2018	As at 31 December 2017
Bank deposits	**1,497**	785
Debt financial assets	**5,700**	5,732
Others	**822**	656
Total	**8,019**	7,173
Current	**8,012**	7,138
Non-current	**7**	35
Total	**8,019**	7,173

11 PREMIUMS RECEIVABLE

Premiums receivable is due within 3 months.

12 REINSURANCE ASSETS

	As at 31 December 2018	As at 31 December 2017
Claims and claims adjustment expenses ceded (Note 14)	**16**	22
Unearned premiums liabilities ceded (Note 14)	**189**	71
Long-term insurance contracts ceded (Note 14)	**2,240**	1,904
Due from reinsurance companies	**246**	198
Total	**2,691**	2,195
Current	**863**	629
Non-current	**1,828**	1,566
Total	**2,691**	2,195

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS

	As at 31 December 2018		
	Book value balance	**Provision for impairment**	**Net book value**
Investment clearing account (1)	**2,854**	**–**	**2,854**
Prepaid and deferred expenses	**1,312**	**–**	**1,312**
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	**874**	**(874)**	**–**
Deductible input taxes (2)	**66**	**–**	**66**
Prepayment for Heilongjiang branch's office building (3)	**37**	**(37)**	**–**
Entrusted fund receivable from liquidation group of Minfa Securities (4)	**16**	**(16)**	**–**
Prepayment for Taizhou and Yongzhou cases (5)	**14**	**(14)**	**–**
Receivable from Huaxinrong Company (6)	**12**	**(12)**	**–**
Litigation deposit (7)	**3**	**–**	**3**
Others	**594**	**(4)**	**590**
Total	**5,782**	**(957)**	**4,825**

	As at 31 December 2017		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (1)	245	–	245
Prepaid and deferred expenses	1,370	–	1,370
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	915	(915)	–
Deductible input taxes (2)	44	–	44
Prepayment for Heilongjiang branch's office building (3)	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (4)	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (5)	14	(14)	–
Receivable from Huaxinrong Company (6)	12	(12)	–
Litigation deposit (7)	4	–	4
Others	643	(4)	639
Total	3,300	(998)	2,302

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

	As at 31 December 2018	As at 31 December 2017
Current	**4,427**	1,951
Non-current	**398**	351
Total	**4,825**	2,302

(1) Investment clearing account

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

(2) Deductible input taxes

Deductible input taxes are input taxes have not been used related to the Group's purchase of goods and services. They can be used as credits to offset future tax obligations upon the tax bureau's approval.

(3) Prepayment for Heilongjiang branch's office building

In 2005, the Company signed an office building purchase contract for RMB37 million with Heilongjiang Shida Real Estate Co., Ltd. The Company paid RMB37 million to Heilongjiang Guantong Investment Co., Ltd. (hereinafter referred to as "Guantong Investment") in 2005. Since the recipient of the payment is not a party of the contract, as at the date approved for issue by Board of Directors, the Company was not able to obtain the office building ownership certificate, and recovery of the payment made to Guantong Investment is significantly uncertain. Based on the best estimation of the future cash flows, the Company recognized a full provision for this prepayment.

(4) Entrusted fund receivable from liquidation group of Minfa Securities

Minfa Securities Co., Ltd. (hereinafter referred to as "Minfa Securities") was closed down by the CSRC and started administrative liquidation in 2005. The Company had investments entrusted to Minfa Securities with a carrying amount of RMB477 million which were deemed to be uncollectible at the time of the liquidation. Accordingly, the Company reclassified these investments into other receivable at their carrying amount and recognized a full provision against such balance. From 2009 to 2012, the Company managed to recover funds amounting to RMB373 million in accordance with the distribution arrangement as approved by the Court. In 2012, the Court adjudicated to terminate bankruptcy proceedings of Minfa Securities and related companies. The Company assessed that it might still be able to recover RMB16 million but made a full provision against the amount due to significant uncertainty. The remaining balance of RMB88 million was assessed to be non-recoverable and was written off.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

13 OTHER ASSETS (Continued)

(5) Prepayment for Taizhou and Yongzhou cases

In 2009, certain former employees of the Company's Taizhou municipal branch of Jiangsu provincial branch and Yongzhou municipal branch of Hunan provincial branch allegedly sold counterfeit insurance products under the Company's brand, through which they illegally defrauded funds for personal use. The Company had to settle claims from defrauded policyholders amounting to RMB295 million, of which approximately RMB277 million was for the Taizhou case and RMB18 million was for the Yongzhou case. The Company anticipated significant uncertainty in the recovery of such amounts and made full loss provision for them. Although provided in full, some amounts were recovered subsequently. In 2012, amounts deemed not recoverable of RMB162 million were written off.

In 2013, the Company recovered RMB9 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

In 2015, the Company recovered RMB3 million from the Taizhou and Yongzhou cases and reduced other assets and their corresponding provision.

(6) Receivable from Huaxinrong Company

In 2004, the Company signed an office building purchase contract with Shenzhen Lianjiuzhou Logistics Network Co., Ltd. ("Lianjiuzhou Company") amounting to RMB104 million. In 2004, the Company made a payment of RMB100 million to Beijing Huaxinrong Investment Co., Ltd. ("Huaxinrong Company") for the purpose of purchasing the office building, and a separate payment of RMB16 million directly to Lianjiuzhou Company. In 2007, the Company reached agreement with Lianjiuzhou Company that the Company had fulfilled all obligations in respect of the office building purchase contract. The Company has obtained the building ownership certificate.

The Company anticipated that there are uncertainties in recovering the excess payment made to Huaxinrong Company of RMB12 million and recognized a full provision.

(7) Litigation deposit

Litigation deposit represents deposits required by the court for routine litigations in progress, and will be returned to the Group upon the conclusion of the cases.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(a) Discount rate assumption

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

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 31 December 2018 and 31 December 2017 are as follows:

	Discount rate assumption
31 December 2018	4.50%~5.00%
31 December 2017	4.50%~5.00%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, in combine with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors, the expected spot discount rates of the Group as at 31 December 2018 and 31 December 2017 are as follows:

	Discount rate assumption
31 December 2018	3.32%~4.75%
31 December 2017	3.16%~4.75%

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds. It still has significant uncertainty. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumptions

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006-2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

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

(c) Expenses assumptions

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(d) Policy dividend assumption

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(e) Lapse rate and other assumptions

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

(2) Net liabilities of insurance contracts

	As at 31 December 2018	As at 31 December 2017
Gross		
Long-term insurance contract liabilities	**591,751**	573,170
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,064**	827
– Unearned premiums liabilities	**1,805**	1,280
Total, gross	**594,620**	575,277
Recoverable from reinsurers		
Long-term insurance contracts (Note 12)	**(2,240)**	(1,904)
Short-term insurance contracts		
– Outstanding claims liabilities (Note 12)	**(16)**	(22)
– Unearned premiums liabilities (Note 12)	**(189)**	(71)
Total, ceded	**(2,445)**	(1,997)
Net		
Long-term insurance contract liabilities	**589,511**	571,266
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,048**	805
– Unearned premiums liabilities	**1,616**	1,209
Total, net	**592,175**	573,280

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

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

The table below presents movements in outstanding claims liabilities:

	For the year ended 31 December	
	2018	2017
Beginning of the year – Gross	**827**	640
Cash paid for claims settled in the year		
– Cash paid for current year claims	**(1,606)**	(1,175)
– Cash paid for prior year claims	**(728)**	(561)
Claims incurred in the year		
– Claims arising in the current year	**2,601**	1,950
– Claims adjusted for prior years	**(30)**	(27)
End of the year – Gross	**1,064**	827

The table below presents the movements in unearned premiums liabilities:

	Gross	Ceded	Net
As at 1 January 2017	1,164	(57)	1,107
Increase	3,846	(202)	3,644
Release	(3,730)	188	(3,542)
As at 31 December 2017	1,280	(71)	1,209
Increase	5,560	(542)	5,018
Release	(5,035)	424	(4,611)
As at 31 December 2018	1,805	(189)	1,616

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

14 INSURANCE CONTRACT LIABILITIES (Continued)

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

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

	For the year ended 31 December	
	2018	2017
Beginning of the year	**573,170**	541,424
Premiums	**116,726**	105,448
Release of liabilities (i)	**(121,358)**	(109,250)
Accretion of interest	**23,535**	22,516
Changes in assumption (ii)	**5,038**	8,282
Other movements (iii)	**(5,360)**	4,750
End of the year	**591,751**	573,170

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

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

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

15 LIABILITIES OF INVESTMENT CONTRACTS

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

	For the year ended 31 December	
	2018	2017
Investment contracts excluding unit-linked contracts		
Beginning of the year	**33,711**	29,820
Deposits received	**11,059**	9,043
Deposits paid and liabilities transferred out	**(5,726)**	(6,381)
Policy fees deducted from account balances	**(55)**	(62)
Interest and benefits accredited	**1,616**	1,285
Changes in investment contracts recorded in other comprehensive income	**(246)**	6
End of the year	**40,359**	33,711
Unit-linked contracts		
Beginning of the year	**217**	251
Deposits received	**–**	1
Deposits paid and liabilities transferred out	**(14)**	(23)
Fair value changes	**(70)**	(12)
End of the year	**133**	217
End of the year – Gross	**40,492**	33,928

16 BORROWINGS

Upon the approval of the former CIRC in November 2014, the Company completed an offering of 10-year subordinated debt in an aggregate principal amount of RMB4,000 million, and with an interest rate of 5.6% per annum. The Company has the right to redeem the debt partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.6% per annum beginning in the sixth year until the maturity date.

The repayments of principals and interests of the subordinated debts are subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

The fair value of borrowings as at 31 December 2018 was RMB4,061 million, which are within Level 2 of the fair value hierarchy.

For the year ended 31 December 2018, the Group has no cash flow arising from financing activities included subordinated debts redemption, in the consolidated statement of cash flows (for the year ended 31 December 2017: RMB10,000 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

17 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2018	As at 31 December 2017
By market		
Inter-bank market	**2,201**	1,500
Stock exchange	**10,758**	18,425
Total	**12,959**	19,925
By collateral		
Bonds	**12,959**	19,925

Maturity:

	As at 31 December 2018	As at 31 December 2017
Within 3 months (including 3 months)	**12,959**	19,925

As at 31 December 2018, bonds with par value of RMB2,279 million (as at 31 December 2017: RMB1,695million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2018, the amount of financial assets deposited in the collateral pool amounted to RMB78,197 million (as at 31 December 2017: RMB64,160 million). The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2018, the Group's cash outflow arising from financing activities included RMB8,760 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2017, the Group's cash outflow arising from financing activities included RMB20,222 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

18 PROVISIONS

	Lawsuits and disputes
As at 1 January 2018	**29**
Increase	**–**
Decrease	**–**
As at 31 December 2018	**29**
As at 1 January 2017	29
Increase	–
Decrease	–
As at 31 December 2017	29

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

19 OTHER LIABILITIES

	As at 31 December 2018	As at 31 December 2017
Salary and welfare payable	**2,629**	2,522
Commission and brokerage payable	**2,188**	1,801
Construction cost payable	**421**	170
Security deposits by agent for holding the Company's documents	**217**	309
Taxes payable other than income tax	**208**	199
Unallocated receipts	**125**	69
Repayment payable for non-insurance contracts	**119**	76
Insurance security fund payable	**81**	50
Investment clearing account (Note 13(1))	**68**	293
Purchase payment for Heilongjiang branch's building (Note13(3))	**37**	37
Unrealized output value added tax	**105**	109
Others	**1,044**	989
Total	**7,242**	6,624
Current	**6,988**	6,278
Non-current	**254**	346
Total	**7,242**	6,624

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

20 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

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

	For the year ended 31 December	
	2018	2017
Current tax	**2,843**	1,914
Deferred tax	**(256)**	32
Total income tax	**2,587**	1,946

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

	For the year ended 31 December	
	2018	2017
Profit before income tax	**10,510**	7,330
Tax computed at the statutory tax rate in China	**2,628**	1,833
Non-taxable income (i)	**(2,059)**	(2,069)
Expenses not deductible for tax purpose (i)	**2,009**	2,167
Effect of unrecognized deferred tax assets arising from deductible temporary differences	**28**	25
Use of deductible tax losses of prior years	**(4)**	(4)
Past due income tax paid	**(12)**	(1)
Effect of different tax rate of a subsidiary	**(3)**	(5)
Income tax computed at effective tax rate	**2,587**	1,946

(i) Non-taxable income mainly includes government bond interest income and stock dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expense, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

20 TAXATION (Continued)

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

	Financial assets	Insurance liabilities and others	Total
Net deferred tax assets			
As at 1 January 2017	(1,047)	1,355	308
Charged to net profit	(77)	45	(32)
Charged to other comprehensive income	(457)	228	(229)
Charged to other reserve	–	(11)	(11)
As at 31 December 2017	(1,581)	1,617	36
As at 1 January 2018	**(1,581)**	**1,617**	**36**
Charged to net profit	**248**	**13**	**261**
Charged to other comprehensive income	**3,474**	**(2,007)**	**1,467**
Charged to other reserve	**–**	**13**	**13**
As at 31 December 2018	**2,141**	**(364)**	**1,777**
Net deferred tax liabilities			
As at 1 January 2017	–	(54)	(54)
Charged to net profit	–	–	–
Charged to other comprehensive income	–	–	–
As at 31 December 2017	–	(54)	(54)
As at 1 January 2018	**–**	**(54)**	**(54)**
Charged to net profit	**1**	**(6)**	**(5)**
Charged to other comprehensive income	**–**	**–**	**–**
As at 31 December 2018	**1**	**(60)**	**(59)**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

20 TAXATION (Continued)

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

	As at 31 December 2018	As at 31 December 2017
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**3,194**	1,445
– deferred tax assets to be recovered after 12 months	**604**	376
Subtotal	**3,798**	1,821
Deferred tax liabilities		
– deferred tax assets to be recovered within 12 months	**(1,414)**	(1,297)
– deferred tax assets to be recovered after 12 months	**(666)**	(542)
Subtotal	**(2,080)**	(1,839)
Total net deferred tax assets	**1,777**	36
Total net deferred tax liabilities	**(59)**	(54)

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

	As at 31 December 2018	As at 31 December 2017
Deductible losses	**524**	405
Total	**524**	405

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

21 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1.

The Company's number of shares is as follows:

	As at 31 December 2018	As at 31 December 2017
Number of shares registered, issued and fully paid at RMB1 per share (in million)	**3,120**	3,120

22 RESERVES

	Share premium (a)	Other reserve	Unrealized income/ (losses)	Surplus reserve (b)	Reserve for general risk (c)	Total
As at 1 January 2017	23,964	(45)	921	3,403	3,403	31,646
Other comprehensive income	–	–	676	–	–	676
Others	–	35	–	–	–	35
Appropriation to reserve	–	–	–	519	519	1,038
As at 31 December 2017	23,964	(10)	1,597	3,922	3,922	33,395
Other comprehensive income	**–**	**–**	**(4,388)**	**–**	**–**	**(4,388)**
Others	**–**	**(40)**	**–**	**–**	**–**	**(40)**
Appropriation to reserve	**–**	**–**	**–**	**1,304**	**785**	**2,089**
As at 31 December 2018	**23,964**	**(50)**	**(2,791)**	**5,226**	**4,707**	**31,056**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

22 RESERVES (Continued)

(a) Share premium

Share premium represents the excess of the paid-in capital over the par value of shares issued.

(b) Surplus reserve

Surplus reserve consists of the statutory surplus reserve and the discretionary surplus reserve.

(i) Statutory surplus reserve

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

The Company appropriated RMB785 million for the year ended 31 December 2018 to the statutory surplus reserve (for the year ended 31 December 2017: RMB519 million).

(ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the statutory surplus reserve, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings. The DSR may be used to offset accumulated losses, if any, and may be converted into capital. The Company appropriated RMB519 million (10% of the net profit for 2017) to the DSR in 2018 (for the year ended 31 December 2017: Nil).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

22 RESERVES (Continued)

(c) Reserve for general risk

Pursuant to "Financial Standards of Financial Enterprises-Implementation Guide" issued by the Ministry of Finance of the PRC on 20 March 2007, for the year ended 31 December 2018, the Company appropriated 10% of the net profit to the general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment (for the year ended 31 December 2017: 10%).

23 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the year ended 31 December	
	2018	2017
Gross written premiums		
– Insurance contracts	**122,286**	109,294
Policy fees		
– Investment contracts	**55**	62
Gross written premiums and policy fees	**122,341**	109,356

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

24 INVESTMENT INCOME

	For the year ended 31 December	
	2018	2017
Held-to-maturity investments		
– Interest income	**9,536**	9,277
– Net realized gains/(losses)	**178**	–
Available-for-sale financial assets		
– Interest income	**10,479**	10,117
– Dividend income	**6,048**	6,105
– Net realized gains	**(840)**	1,877
– Impairment losses on equity financial assets	**(1,835)**	(1,097)
Financial assets at fair value through profit or loss		
– Interest income	**81**	272
– Dividend income	**187**	157
– Fair value gains/(losses)	**(379)**	124
– Net realized gains/(losses)	**(269)**	(111)
Loans and receivables		
– Interest income	**3,760**	3,672
Interest income from bank deposits	**2,797**	2,708
Interest income from policy loans	**1,368**	1,164
Interest income from financial assets purchased under agreements to resell	**72**	115
Others	**2**	–
Total	**31,185**	34,380
Including:		
Investment income based on the effective interest method	**28,093**	27,325
Investment income from listed investments	**1,574**	5,621
Investment income from unlisted investments	**29,611**	28,759
Total	**31,185**	34,380

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

25 OTHER INCOME

	For the year ended 31 December	
	2018	2017
Rental income from investment properties	**251**	260
Government grants	**31**	36
Exchange gain	**95**	–
Others	**400**	416
Total	**777**	712

26 INSURANCE BENEFITS AND CLAIMS

	For the year ended 31 December	
	2018	2017
Gross		
Claims and change in outstanding claims liabilities	**2,571**	1,923
Life insurance death and other benefits	**81,840**	70,549
Increase in long-term insurance liabilities	**26,515**	30,689
Total	**110,926**	103,161
Recovered from reinsurers		
Claims and change in outstanding claims liabilities	**(90)**	(160)
Life insurance death and other benefits	**(658)**	(494)
Increase in long-term insurance liabilities	**(336)**	(26)
Total	**(1,084)**	(680)
Net		
Claims and change in outstanding claims liabilities	**2,481**	1,763
Life insurance death and other benefits	**81,182**	70,055
Increase in long-term insurance liabilities	**26,179**	30,663
Total	**109,842**	102,481

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

27 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2018	2017
Employee benefit expenses (including directors' emoluments) (1)	**8,788**	10,252
Operating lease expense	**911**	909
Depreciation and amortization	**586**	556
Entertainment fees	**374**	391
Travel and conference fees	**324**	345
Official fees	**281**	283
Insurance guarantee fund	**229**	197
Electronic equipment operating costs	**163**	152
Promotional printing cost	**150**	142
Postal fees	**128**	137
Advertising fees	**75**	87
Auditors' remuneration and consulting fees	**36**	21
Vehicle use fees	**32**	45
Supervision fees	**–**	24
Less: Expenses recoverable from insurers	**(593)**	(273)
Others	**484**	509
Total	**11,968**	13,777

(1) Employee benefit expenses are presented below:

	For the year ended 31 December	
	2018	2017
Salary and welfare expenses	**6,514**	8,221
Social security costs – pension	**844**	784
Social security costs – other	**700**	593
Including:		
Supplementary defined contribution pension expense	**201**	118
Supplementary medical expense	**20**	22
Housing fund	**503**	441
Employee education and labor union fees	**227**	213
Total	**8,788**	10,252

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

28 OTHER EXPENSES

	For the year ended 31 December	
	2018	2017
Tax and surcharges	**166**	169
Depreciation and amortization	**177**	123
Exchange losses	**–**	321
Reversal of provision for receivable from Tianhuan Real Estate (Note3(6))	**(41)**	–
Others	**262**	278
Total	**564**	891

29 FINANCE COSTS

	For the year ended 31 December	
	2018	2017
Interest expenses for financial assets sold under agreements to repurchase	**879**	1,240
Interest expenses for the subordinated debts	**224**	474
Total	**1,103**	1,714

30 NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The net profit attributable to shareholders of the Company for the year ended 31 December 2018 was RMB7,922 million (for the year ended 31 December 2017: RMB5,383 million) which is included in the consolidated financial statements of the Group.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

31 EARNINGS PER SHARE

(1) Basic

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

	For the year ended 31 December	
	2018	2017
Net profit attributable to shareholders of the Company (RMB in millions)	**7,922**	5,383
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,120
Basic earnings per share (RMB)	**2.54**	1.73

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2018 (for the year ended 31 December 2017: same).

32 DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2018, a final dividend of RMB0.52 per ordinary share (inclusive of tax) totalling RMB1,622 million was declared.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("Asset Management Company")	Subsidiary of the Company
New China Asset Management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)")	Subsidiary of the Company
New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	Subsidiary of the Company
Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation")	Subsidiary of the Company
New China Pension Co., Ltd. ("New China Pension")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
New China Excellent Rehabilitation Hospital Co., Ltd. ("Rehabilitation Hospital")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
New China Asset – Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
New China Asset – Mingde No.1 Asset Management Product ("Mingde Fund")	Subsidiary of the Company
New China Asset Management – Mingren No.1 Asset Management Product ("Mingren No.1")	Subsidiary of the Company
New China Asset Management – Mingren No.3 Asset Management Product ("Mingren No.3")	Subsidiary of the Company
New China Asset Management – Mingren No.4 Asset Management Product ("Mingren No.4")	Subsidiary of the Company
New China Asset Management – Mingzhi No.1 Asset Management Product ("Mingzhi No.1")	Subsidiary of the Company
New China Asset Management – Mingzhi No.2 Asset Management Product ("Mingzhi No.2")	Subsidiary of the Company
New China Asset Management – Mingzhi No.3 Asset Management Product ("Mingzhi No.3")	Subsidiary of the Company
New China Asset Management – Mingzhi No.5 Asset Management Product ("Mingzhi No.5")	Subsidiary of the Company
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Subsidiary of the Company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties (Continued)

Significant related parties	Relationships
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
New China Capital International	Associate of the Company
China Jinmao	Associate of the Company
Weiyuanzhou	Associate of the Company
New China Health	Joint venture of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited. ("China Baowu")	Shareholder that has significant influence over the Company
FOSUN International Limited and its seven subsidiaries ("FOSUN International")	Company under direct or indirect control of shareholder that has significant influence over the company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of shareholder that has significant influence over the company

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties

The table set forth below summarizes significant related party transactions:

	For the year ended 31 December	
	2018	2017
Transactions between the Group and other related parties		
– Interests from bonds issued by Huijin (i)	**44**	32
– Cash dividends received from Zijin Century (ii)	**24**	–
– Cash dividends received from New China Capital International (ii)	**11**	8
– Cash dividends received from China Jinmao (ii)	**268**	158
– Investment income arising from investing financial assets of FOSUN International (x)	**526**	12
– Investment income arising from investing fund of Hwabao WP Fund (xi)	**46**	63
– Investment income arising from investing fund of Tebon Fund (xii)	**13**	3
– Health check and service fee paid to New China Health (iii)	**21**	13
– Rent earned from New China Health (iv)	**9**	19
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (v)	**381**	469
– Investment management fee to Asset Management Company (Hong Kong) (v)	**57**	118
– Rent earned from Asset Management Company (iv)	**14**	14
– Rent earned from New China Pension (iv)	**3**	3
– Rent paid to Xinhua Haoran (vi)	**45**	31
– Additional capital contribution to Health Technology (Note 36(4)(i))	**235**	–
– Additional capital contribution to Xinhua Seniors Service (Note 36(4)(ii))	**300**	–
– Additional capital contribution to New China Pension (Note 36(4)(iv))	**4,000**	495
– Additional capital contribution to Electronic Commerce	**–**	100
– Capital contribution to Hefei Supporting Operation (Note 36(4)(iii))	**264**	648
– IT service fee charged to Electronic Commerce (vii)	**19**	10
– Conference and training fees charged to Health Technology (viii)	**12**	8
– Dissolution of Yunnan New China Insurance Agency Co., Ltd.	**–**	2
– Additional capital contribution to Rehabilitation Hospital (Note36(4)(vi))	**170**	–
– Construction management fee paid to Guangzhou Yuerong (ix)	**3**	–

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(i) Bond interest from Huijin

Huijin became a shareholder of the Company in 2009 and directly held 31.34% of the Company's shares as at 31 December 2018. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017, the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market respectively. The bond with par value of RMB200 millions, matured in 2018. At 31 December 2018, the carrying value of these bonds was RMB1,000 million (as at 31 December 2017: RMB1,200 million). The recognized bond interest for the year ended 31 December 2018 was RMB44 million (for the year ended 31 December 2017: RMB32 million).

(ii) Cash dividends received

In 2018, the Company received cash dividends amounted to RMB11 million, RMB24 million and RMB268 million respectively from New China Capital International, Zijin Century and China Jinmao (for the year ended 31 December 2017: RMB8 million, nil and RMB158 million respectively from New China Capital International, Zijin Century and China Jinmao).

(iii) Health service fee paid to New China Health

The Company entered into a contract with New China Health. According to the contract, the Company purchased health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB21 million of expenses were incurred in 2018 (for the year ended 31 December 2017: RMB13 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(iv) Office rental contracts

The Company leased part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The annual rentals were approximately RMB14 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB14 million).

The Company leased part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in International City Unit AB at Wuhan, part of the office building located in Xianglong Building at Yantai, and part of the office building located in European City at Nanjing to New China Health. The annual rentals were about RMB9 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB9 million).

The Company leased part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The annual rentals were approximately RMB3 million for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB3 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2018. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2018. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(vi) Rent paid to Xinhua Haoran

The Company entered into an annual lease contract with Xinhua Haoran in January, 2018. According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Xinhua Haoran, as well as receive property management service. The annual rent expenses and property management fees were RMB45 million (for the year ended 31 December 2017: RMB31 million).

(vii) IT service fee charged to Electronic Commerce

The Company paid for IT service fees to Electronic Commerce, for providing online shop and web portal services including applications, softwares, products platforms, customized development and maintenance. Approximately RMB19 millions of expenses were incurred in 2018 (for the year ended 31 December 2017: RMB10 million).

(viii) Conference and training fees charged to Health Technology

The Company paid for conference and training service fees to Health Technology. Approximately RMB12 millions of expenses were incurred in 2018 (for the year ended 31 December 2017: RMB8 million).

(ix) Construction management fee paid to Guangzhou Yuerong

The Company entered into a contract with Guangzhou Yuerong. According to the contract, Guangzhou Yuerong provided the management service of prospective design, bidding and purchasing, engineering and construction, and completion acceptance for the Company. Approximately RMB3 millions of expenses were incurred in 2018 (for the year ended 31 December 2017: Nil).

(x) Investment income arising from investing financial assets of FOSUN International

In 2018, the Company and FOSUN International signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems financial assets of FOSUN International with insurance fund with certain trading limit. The pricing policy of transaction above are based on general commercial terms and market principle of justice and equity. In 2018, the Company received investment income amounted to RMB526 million (for the year ended 31 December 2017: RMB12 million.).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Transactions with significant related parties (Continued)

(xi) Investment income arising from investing fund of Hwabao WP Fund

In 2018, the Company and Hwabao Fund signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems public fund of Hwabao Fund with insurance capital in either market in the field or over-the-counter market with certain trading limit. The pricing policy of transaction above are based on general commercial terms and market principle of justice and equity. In 2018, the Company received investment income amounted to RMB46 million (for the year ended 31 December 2017: RMB63 million.).

(xii) Investment income arising from investing fund of Tebon Fund

In 2018, the Company and Tebon Fund signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems public fund of Tebon Fund with insurance capital over-the-counter market with certain trading limit. The pricing policy of transaction above are based on general commercial terms and market principle of justice and equity. In 2018, the Company received investment income amounted to RMB13 million (for the year ended 31 December 2017: RMB3 million.).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fee to Asset Management Company and Asset Management Company (Hong Kong) is calculated based on the negotiated service charge rate and the scale of investments. The health service fee to New China Health is calculated based on market value. The rent paid to Xinhua Haoran is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce, the conference and training fees to Health Technology and the construction management fees to Guangzhou Yuerong are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated price between transaction parties.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

Balances of related party transactions	**As at 31 December 2018**	As at 31 December 2017
Interest receivable		
Huijin	**12**	14
Other receivables		
New China Health	**8**	19
Other payables		
New China Health	**2**	3

	As at 31 December 2018	As at 31 December 2017
Receivables from subsidiaries		
Xinhua Seniors Service	**–**	300
Health Technology	**17**	16
Payables to subsidiaries		
Asset Management Company	**36**	135
Asset Management Company (Hong Kong)	**27**	71
Electronic Commerce	**18**	–
Xinhua Haoran	**1**	–

No provisions were held against receivables from related parties as at 31 December 2018.

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the year ended 31 December	
	2018	2017
Payroll and welfare	**30**	41

The annual performance bonus of key management for 2018 has not been finalized. Detailed information will be disclosed separately after it has been finalized.

(5) Transactions with state-owned enterprises

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

As at 31 December 2018, most of bank deposits were with state-owned banks; the issuers of debt financial assets held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the year ended 31 December 2018, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of the bank deposit interest income was from state-owned banks.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

34 CONTINGENCIES

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

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

As at 31 December 2018, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

35 COMMITMENTS

(1) Capital commitments

The Group had capital commitments for the purchase of property plant and equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As at 31 December 2018	As at 31 December 2017
Contracted, but not provided for	**3,440**	3,587
Authorized, but not contracted for	**177**	–
Total	**3,617**	3,587

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

35 COMMITMENTS (Continued)

(2) Operating lease commitments

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

	As at 31 December 2018	As at 31 December 2017
Within 1 year (including 1 year)	**471**	317
Between 1 and 5 years (including 5 years)	**611**	327
More than 5 years	**15**	29
Total	**1,097**	673

(3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 31 December 2018	As at 31 December 2017
Within 1 year (including 1 year)	**200**	197
Between 1 and 5 years (including 5 years)	**232**	183
More than 5 years	**7**	–
Total	**439**	380

(4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 31 December 2018, a total amount of RMB1,647 million was disclosed as an investment commitment contracted but not provided for (as at 31 December 2017: RMB460 million).

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS

Statement of Financial Position

	Notes	31 December 2018	31 December 2017
ASSETS			
Property, plant and equipment	36(1)	**8,592**	5,955
Investment properties	36(2)	**7,107**	4,540
Intangible assets	36(3)	**1,672**	1,633
Investments in subsidiaries	36(4)	**26,261**	30,843
Investments in associates and joint ventures	36(5)	**4,481**	4,602
Debt financial assets		**443,210**	437,327
– Held-to-maturity	36(6a)	**214,472**	206,262
– Available-for-sale	36(6b)	**186,070**	188,428
– At fair value through profit or loss	36(6c)	**2,766**	1,137
– Loans and receivables	36(6d)	**39,902**	41,500
Equity financial assets		**113,748**	130,214
– Available-for-sale	36(6b)	**108,363**	125,767
– At fair value through profit or loss	36(6c)	**5,385**	4,447
Term deposits	36(6e)	**64,130**	41,369
Statutory deposits	36(6f)	**715**	715
Policy loans		**31,327**	27,000
Financial assets purchased under agreements to resell		**3,792**	2,660
Accrued investment income	36(6g)	**7,942**	7,127
Premiums receivable	11	**2,307**	2,338
Deferred tax assets	36(10)	**1,752**	2
Reinsurance assets	12	**2,691**	2,195
Other assets	36(7)	**4,516**	2,383
Cash and cash equivalents		**8,338**	8,263
Total assets		**732,581**	709,166

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

Statement of Financial Position (Continued)

	Notes	31 December 2018	31 December 2017
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	14	**591,751**	573,170
Short-term insurance contract liabilities			
– Outstanding claims liabilities	14	**1,064**	827
– Unearned premiums liabilities	14	**1,805**	1,280
Investment contracts	15	**40,492**	33,928
Borrowings	16	**4,000**	4,000
Financial assets sold under agreements to repurchase	36(8)	**12,894**	19,925
Benefits, claims and surrenders payable		**5,318**	3,176
Premiums received in advance		**1,808**	1,941
Reinsurance liabilities		**462**	237
Provisions	18	**29**	29
Other liabilities	36(9)	**6,821**	6,239
Current tax liabilities		**1,236**	1,297
Total liabilities		**667,680**	646,049
Shareholders' equity			
Share capital		**3,120**	3,120
Reserves	36(11)	**31,032**	33,380
Retained earnings		**30,749**	26,617
Total equity		**64,901**	63,117
Total liabilities and equity		**732,581**	709,166

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2018	4,633	805	165	1,526	7,129
Additions	195	107	1	5,473	5,776
Transfers upon completion	1,122	–	–	(1,122)	–
Transfer from investment properties	119	–	–	–	119
Transfer to investment properties	–	–	–	(2,807)	(2,807)
Transfer to intangible assets	–	–	–	(165)	(165)
Disposals	(52)	(36)	(6)	–	(94)
Others	–	–	–	(1)	(1)
As at 31 December 2018	6,017	876	160	2,904	9,957
Accumulated depreciation					
As at 1 January 2018	(592)	(496)	(86)	–	(1,174)
Charges for the year	(124)	(88)	(12)	–	(224)
Transfer from investment properties	(5)	–	–	–	(5)
Disposals	–	33	5	–	38
As at 31 December 2018	(721)	(551)	(93)	–	(1,365)
Net book value					
As at 1 January 2018	4,041	309	79	1,526	5,955
As at 31 December 2018	5,296	325	67	2,904	8,592

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(1) Property, plant and equipment (Continued)

	Buildings	Office equipment	Motor vehicles	Construction in progress	Total
Cost					
As at 1 January 2017	4,565	1,072	173	508	6,318
Additions	21	129	3	2,571	2,724
Transfers upon completion	308	10	–	(318)	–
Reclassification	(35)	35	–	–	–
Transfer to investment properties	(215)	–	–	(1,064)	(1,279)
Transfer to intangible assets	–	–	–	(165)	(165)
Transfer to other assets	(9)	–	–	(6)	(15)
Disposals	(2)	(441)	(11)	–	(454)
As at 31 December 2017	4,633	805	165	1,526	7,129
Accumulated depreciation					
As at 1 January 2017	(520)	(664)	(80)	–	(1,264)
Charges for the year	(108)	(125)	(13)	–	(246)
Reclassification	2	(2)	–	–	–
Transfer to investment properties	34	–	–	–	34
Disposals	–	295	7	–	302
As at 31 December 2017	(592)	(496)	(86)	–	(1,174)
Net book value					
As at 1 January 2017	4,045	408	93	508	5,054
As at 31 December 2017	4,041	309	79	1,526	5,955

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(2) Investment Properties

	For the year ended 31 December	
	2018	2017
Cost		
Beginning of the year	**5,007**	3,728
Transfers from property, plant and equipment (Note 36(1))	**2,807**	1,279
Transfer to property, plant and equipment (Note 36(1))	**(119)**	–
Additions	**26**	–
End of the year	**7,721**	5,007
Accumulated depreciation		
Beginning of the year	**(467)**	(333)
Transfers from property, plant and equipment (Note 36(1))	**–**	(34)
Transfer to property, plant and equipment (Note 36(1))	**5**	–
Charges for the year	**(152)**	(100)
End of the year	**(614)**	(467)
Net book value		
Beginning of the year	**4,540**	3,395
End of the year	**7,107**	4,540

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(3) Intangible assets

	Computer software	**Land use rights**	**Total**
Cost			
As at 1 January 2018	**919**	**1,393**	**2,312**
Additions	**45**	**–**	**45**
Transfer from construction in progress	**165**	**–**	**165**
As at 31 December 2018	**1,129**	**1,393**	**2,522**
Accumulated amortization			
As at 1 January 2018	**(528)**	**(151)**	**(679)**
Amortization	**(136)**	**(35)**	**(171)**
As at 31 December 2018	**(664)**	**(186)**	**(850)**
Net book value			
As at 1 January 2018	**391**	**1,242**	**1,633**
As at 31 December 2018	**465**	**1,207**	**1,672**

	Computer software	Land use rights	Total
Cost			
As at 1 January 2017	736	1,393	2,129
Additions	18	–	18
Transfers upon completion	165	–	165
As at 31 December 2017	919	1,393	2,312
Accumulated amortization			
As at 1 January 2017	(418)	(116)	(534)
Amortization	(110)	(35)	(145)
As at 31 December 2017	(528)	(151)	(679)
Net book value			
As at 1 January 2017	318	1,277	1,595
As at 31 December 2017	391	1,242	1,633

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries

	As at 31 December 2018	As at 31 December 2017
Unlisted investments at cost	**26,261**	30,843

Details of the Company's subsidiaries as at 31 December 2018 are as follows:

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
Asset Management Company	Beijing, China	Asset management	RMB500 million	99.40%
Asset Management Company (Hong Kong)	Hong Kong, China	Asset management	HKD50 million	99.64%
Health Technology (i)	Beijing, China	Real estate property development and training	RMB867 million	100%
Xinhua Seniors Service (ii)	Beijing, China	Service	RMB964 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Electronic Commerce	Beijing, China	Electronic commerce	RMB200 million	100%
Hefei Supporting Operation (iii)	Hefei, China	Real estate property investment and management	RMB3,200 million	100%
New China Pension (iv)	Shenzhen, China	Insurance service	RMB5 billion	100%
Hainan Seniors	Qionghai, China	Real estate property development and training	RMB1,908 million	100%
Xinhua Haoran (v)	Beijing, China	Real estate lease and property management	RMB500 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate lease and property management	RMB10 million	100%
Rehabilitation Hospital (vi)	Beijing, China	Medical service	RMB170 million	100%
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Asset management product	RMB169 million	94.02%
Mingde Fund	Not applicable	Asset management product	RMB257 million	100%
Mingren No.1	Not applicable	Asset management product	RMB50 million	90.00%
Mingren No.3	Not applicable	Asset management product	RMB100 million	90.00%
Mingren No.4	Not applicable	Asset management product	RMB289 million	87.93%

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

Details of the Company's subsidiaries at 31 December 2018 are as follows (continued):

	Place of incorporation and operation	Principal activities	Registered capital	Group's interest %
Mingzhi No.1	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.2	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.3	Not applicable	Asset management product	RMB50 million	90.00%
Mingzhi No.5	Not applicable	Asset management product	RMB100 million	90.00%
Lujiazui trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Project investment	RMB1 billion	100%
Lujiazui trust – Zhongwei New Energy Perpetual Bond	Not applicable	Project investment	RMB4 billion	100%

(i) The twenty-second meeting of the sixth session of the Board of Directors in 2018 considered and approved the increase of investment scale of the Health Technology Yanqing Seniors Project Phase One from RMB960 million to RMB1,096 million by increasing capital contribution to Health Technology. On 27 September 2018, the Company has completed the cash contribution of RMB235 million, and the Company's actual contribution was RMB867 million. On 19 December 2018, Health Technology registered the change.

(ii) The sixth meeting of the sixth session of the Board of Directors in 2016 considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service increased to RMB964 million. On 24 December 2016, the Company has completed the cash contribution of RMB300 million, and the Company's actual contribution was RMB964 million. On 27 February 2018, Xinhua Seniors Service registered the change.

(iii) The seventh meeting of the sixth session of the Board of Directors in 2016 considered and approved the proposal of "Increasing the registered capital of subsidiaries of Hefei Supporting Operation – related party transactions", which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. Hefei Supporting Operation has registered the change on 25 July 2017. On 17 August 2018 and 9 November 2018, the Company has completed the increased cash contribution of RMB264 million. As at 31 December 2018, the Company's accumulated contribution was RMB920 million.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

(iv) The twenty-second meeting of the sixth session of the Board of Directors in 2018 considered and approved the increased capital contribution of RMB4,000 million to New China Pension. Upon the capital contribution, the registered capital of New China Pension increased to RMB5,000 million. On 30 April 2018, the Company has completed the cash contribution of RMB4,000 million, and the Company's actual contribution was RMB4,990 million, Asset Management Company's actual contribution was RMB10 million. On 28 August 2018, New China Pension registered the change.

(v) Xinhua Haoran Architecture Science and Technology Co., Ltd. was formerly known as Beijing Century Haoran Power Technology Development Co., Ltd. On 27 June 2018, Xinhua Haoran registered the name change.

(vi) The ninth meeting of the sixth session of the Board of Directors in 2017 has considered and approved the proposal of "acquisition of New China Excellent Rehabilitation Hospital Co., Ltd. by share transfer- related party transactions". The matter has been approved by the former CIRC on 8 November 2017. On 16 March 2018, Rehabilitation Hospital registered the change, and the registered capital was RMB170 million. On 17 April 2018, The Company injected RMB170 million to Rehabilitation Hospital.

Change of consolidation scope

In 2018, the Company acquired a 100% equity interest and controlling interest in Rehabilitation Hospital with zero consideration. The acquisition date was 1 March 2018.

The fair values of net identifiable assets and liabilities of Rehabilitation Hospital at the acquisition date were determined based on valuation results. The fair values and carrying amounts of the identifiable assets and liabilities of Rehabilitation Hospital as at the acquisition date were set out below:

	As at 1 March 2018	
	Fair value Unaudited	**Carrying amount Unaudited**
Property, plant and equipment	30	30
Intangible assets	50	5
Other assets	42	42
Cash and cash equivalents	9	9
Other liabilities	(131)	(131)
Total identifiable net asset at fair value	–	
Purchase consideration transferred	–	

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

Change of consolidation scope (Continued)

Analysis of cash flows on acquisition:

	Unaudited
Cash and cash equivalents acquired	9
Consideration paid in cash	–
Net cash flow on acquisition	9

The operating result and cash flow information of Rehabilitation Hospital for the year ended 31 December 2018 since the acquisition date is listed below:

	From 1 March 2018 to 31 December 2018 (Unaudited)
Revenue	5
Net profit	(37)
Net cash flow	53

From the acquisition date to 31 December 2018, the Group did not dispose of nor has it any intention to dispose of any assets or liabilities of Rehabilitation Hospital.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(4) Investments in subsidiaries (Continued)

Change of consolidation scope (Continued)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held by the parent company does not differ from the proportion of ordinary shares held. There are no significant restrictions on all subsidiaries. The non-controlling interests of subsidiaries are immaterial to the Group.

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

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

(5) Investments in associates

	For the year ended 31 December	
	2018	2017
Beginning of the year	**4,602**	4,303
Share of profit	**374**	260
Cash dividend from investments in associates	**(292)**	(158)
Share of other comprehensive income	**(148)**	149
Share of other reserves	**(55)**	48
End of the year	**4,481**	4,602

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets

(a) Held-to-maturity investments

	As at 31 December 2018	As at 31 December 2017
Debt financial assets		
Government bonds	**86,090**	71,474
Financial bonds	**28,558**	31,050
Corporate bonds	**41,051**	44,971
Subordinated bonds	**58,773**	58,767
Total	**214,472**	206,262
Debt financial assets		
Listed	**70,110**	65,208
Unlisted	**144,362**	141,054
Total	**214,472**	206,262

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**7,498**	13,057
After 1 year but within 3 years (including 3 years)	**26,901**	22,163
After 3 years but within 5 years (including 5 years)	**34,515**	41,753
After 5 years	**145,558**	129,289
Total	**214,472**	206,262

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(b) Available-for-sale financial assets

	As at 31 December 2018	As at 31 December 2017
Debt financial assets		
Government bonds	**7,060**	1,693
Financial bonds	**21,001**	16,495
Corporate bonds	**15,334**	24,643
Subordinated bonds	**12,650**	11,995
Trust products	**66,047**	63,624
Wealth investment products	**63,978**	69,978
Subtotal	**186,070**	188,428
Equity financial assets		
Funds	**36,930**	45,479
Stocks	**29,466**	37,772
Preferred stock	**1,066**	1,171
Asset management products	**13,164**	17,864
Private equity	**4,443**	4,128
Equity investment plans	**4,650**	4,650
Other equity investments	**18,519**	14,539
Others	**125**	164
Subtotal	**108,363**	125,767
Total	**294,433**	314,195
Debt financial assets		
Listed	**9,155**	6,395
Unlisted	**176,915**	182,033
Subtotal	**186,070**	188,428
Equity financial assets		
Listed	**32,646**	42,423
Unlisted	**75,717**	83,344
Subtotal	**108,363**	125,767
Total	**294,433**	314,195

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

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

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**29,888**	9,187
After 1 year but within 3 years (including 3 years)	**74,888**	87,512
After 3 years but within 5 years (including 5 years)	**39,256**	56,955
After 5 years	**42,038**	34,774
Total	**186,070**	188,428

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(c) Financial assets at fair value through profit or loss

	As at 31 December 2018	As at 31 December 2017
Held for trading		
Debt financial assets		
Government bonds	**268**	277
Financial bonds	**–**	18
Corporate bonds	**1,983**	442
Subordinated bonds	**515**	400
Debt financial assets subtotal	**2,766**	1,137
Equity financial assets		
Funds	**4,033**	3,676
Stocks	**1,352**	771
Equity financial assets subtotal	**5,385**	4,447
Subtotal	**8,151**	5,584
Total	**8,151**	5,584
Debt financial assets		
Listed	**2,028**	474
Unlisted	**738**	663
Subtotal	**2,766**	1,137
Equity financial assets		
Listed	**2,994**	802
Unlisted	**2,391**	3,645
Subtotal	**5,385**	4,447
Total	**8,151**	5,584

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

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(d) Loans and receivables

	As at 31 December 2018	As at 31 December 2017
Debt investment plan	**38,502**	40,100
Subordinated debt	**1,400**	1,400
Total	**39,902**	41,500

Debt investment plan mainly consists of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are with a period usually of 3 years to 10 years.

(e) Term deposits

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**6,700**	2,209
After 1 year but within 3 years (including 3 years)	**19,000**	10,700
After 3 years but within 5 years (including 5 years)	**36,930**	28,460
More than 5 years	**1,500**	–
Total	**64,130**	41,369

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(6) Financial assets (Continued)

(f) Statutory deposits

Maturity	**As at 31 December 2018**	As at 31 December 2017
Within 1 year (including 1 year)	**615**	95
After 1 year but within 3 years (including 3 years)	**100**	620
Total	**715**	715

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

(g) Accrued investment income

	As at 31 December 2018	As at 31 December 2017
Bank deposits	**1,449**	764
Debt financial assets	**5,375**	5,380
Others	**1,118**	983
Total	**7,942**	7,127
Current	**7,935**	7,092
Non-current	**7**	35
Total	**7,942**	7,127

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Other assets

	As at 31 December 2018		
	Book value balance	Provision for impairment	Net book value
Investment clearing account (Note 13(1))	**2,853**	**–**	**2,853**
Prepaid and deferred expenses	**1,154**	**–**	**1,154**
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	**874**	**(874)**	**–**
Deductible input taxes (Note 13(2))	**65**	**–**	**65**
Prepayment for Heilongjiang branch's office building (Note 13(3))	**37**	**(37)**	**–**
Receivables from subsidiaries (Note 33(3))	**17**	**–**	**17**
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	**16**	**(16)**	**–**
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	**14**	**(14)**	**–**
Receivable from Huaxinrong Company (Note 13(6))	**12**	**(12)**	**–**
Litigation deposit (Note 13(7))	**3**	**–**	**3**
Others	**428**	**(4)**	**424**
Total	**5,473**	**(957)**	**4,516**

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(7) Other assets (Continued)

	As at 31 December 2017		
	Book value balance	Provision for impairment	Net book value
Prepaid and deferred expenses	1,265	–	1,265
Receivable from Off-balance Sheet Repurchase Transactions (Note 3(6))	915	(915)	–
Receivables from subsidiaries (Note 33(3))	316	–	316
Investment clearing account (Note 13(1))	245	–	245
Deductible input taxes (Note 13(2))	44	–	44
Prepayment for Heilongjiang branch's office building (Note 13(3))	37	(37)	–
Entrusted fund receivable from liquidation group of Minfa Securities (Note 13(4))	16	(16)	–
Prepayment for Taizhou and Yongzhou cases (Note 13(5))	14	(14)	–
Receivable from Huaxinrong Company (Note 13(6))	12	(12)	–
Litigation deposit (Note 13(7))	4	–	4
Others	513	(4)	509
Total	3,381	(998)	2,383

	As at 31 December 2018	As at 31 December 2017
Current	**4,276**	2,137
Non-current	**240**	246
Total	**4,516**	2,383

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(8) Financial assets sold under agreements to repurchase

	As at 31 December 2018	As at 31 December 2017
By market		
Inter-bank market	**2,201**	1,500
Stock exchange	**10,693**	18,425
Total	**12,894**	19,925
By collateral		
Bonds	**12,894**	19,925

Maturity:

	As at 31 December 2018	As at 31 December 2017
Within 3 months (including 3 months)	**12,894**	19,925

As at 31 December 2018, bonds with par value of RMB2,279 million (as at 31 December 2017: RMB1,695 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Company in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transaction.

For debt repurchase transactions through the stock exchange, the Company is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 31 December 2018, the amount of financial assets deposited in the collateral pool amounted to RMB77,923 million (as at 31 December 2017: RMB64,160 million). The collateral is restricted from trading during the period of the repurchase transaction. The Company can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the year ended 31 December 2018, the Company's cash outflow arising from financing activities included RMB8,825 million from financial assets sold under agreements to repurchase. For the year ended 31 December 2017, the Company's cash outflow arising from financing activities included RMB20,222 million from financial assets sold under agreements to repurchase.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(9) Other liabilities

	As at 31 December 2018	As at 31 December 2017
Salary and welfare payable	**2,273**	2,109
Commission and brokerage payable	**2,188**	1,801
Construction cost payable	**421**	170
Taxes payable other than income tax	**201**	182
Security deposits by agent for holding the Company's documents	**217**	309
Unallocated receipts	**125**	69
Repayment payable for non-insurance contracts	**119**	76
Insurance security fund payable	**81**	50
Investment clearing account (Note 13(1))	**67**	292
Unrealized output value added tax	**105**	109
Purchase payment for Heilongjiang branch's building (Note 13(3))	**37**	37
Others	**987**	1,035
Total	**6,821**	6,239
Current	**6,567**	5,893
Non-current	**254**	346
Total	**6,821**	6,239

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(10) Taxation

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

	Financial assets	Insurance liabilities and others	Total
As at 1 January 2017	(1,047)	1,337	290
Charged to net profit	(77)	29	(48)
Charged to other comprehensive income	(457)	228	(229)
Charged to other reserve	–	(11)	(11)
As at 31 December 2017	(1,581)	1,583	2
As at 1 January 2018	**(1,581)**	**1,583**	**2**
Charged to net profit	**248**	**22**	**270**
Charged to other comprehensive income	**3,474**	**(2,007)**	**1,467**
Charged to other reserve	**–**	**13**	**13**
As at 31 December 2018	**2,141**	**(389)**	**1,752**

	As at 31 December 2018	As at 31 December 2017
Deferred tax assets		
– deferred tax assets to be recovered within 12 months	**3,180**	1,438
– deferred tax assets to be recovered after 12 months	**588**	348
Subtotal	**3,768**	1,786
Deferred tax liabilities		
– deferred tax liabilities to be settled within 12 months	**(1,413)**	(1,296)
– deferred tax liabilities to be settled after 12 months	**(603)**	(488)
Subtotal	**(2,016)**	(1,784)
Total net deferred tax assets	**1,752**	2

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

36 STATEMENT OF FINANCIAL POSITION AND NOTES TO KEY ITEMS (Continued)

(11) Reserves

	Share premium	Other reserve	Unrealized income/ (losses)	Surplus reserve	Reserve for general risk	Total
As at 1 January 2017	23,962	(45)	900	3,403	3,403	31,623
Other comprehensive income	–	–	684	–	–	684
Others	–	35	–	–	–	35
Appropriation to reserve	–	–	–	519	519	1,038
As at 31 December 2017	23,962	(10)	1,584	3,922	3,922	33,380
Other comprehensive income	**–**	**–**	**(4,397)**	**–**	**–**	**(4,397)**
Others	**–**	**(40)**	**–**	**–**	**–**	**(40)**
Appropriation to reserve	**–**	**–**	**–**	**1,304**	**785**	**2,089**
As at 31 December 2018	**23,962**	**(50)**	**(2,813)**	**5,226**	**4,707**	**31,032**

SECTION 14

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

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

(1) Directors' emoluments

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

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2018 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Feng Wan (i)	–	3,296	–	–	–	–	3,296
Zongjian Li	–	2,102	–	–	–	–	2,102
Xiangdong Liu	–	–	–	–	–	–	–
Lianhua Xiong	–	–	–	–	–	–	–
Yi Yang (ii)	–	–	–	–	–	–	–
Kunzong Wu	–	–	–	–	–	–	–
Aimin Hu	–	–	–	–	–	–	–
John Robert DACEY	–	–	–	–	–	–	–
Yulong Peng	–	–	–	–	–	–	–
Xianglu Li	320	–	–	–	–	–	320
Wei Zheng	320	–	–	–	–	–	320
Lie Cheng	270	–	–	–	–	–	270
Anthony Francis Neoh	270	–	–	–	–	–	270
Jianxin Geng	270	–	–	–	–	–	270

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

(i) Resigned on 16 January 2019.

(ii) The Company held the annual general meeting of 2017 on 27 June 2018. Yi Yang was elected as a director for the sixth session of the Board of Directors.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

The aggregate amounts of emoluments of directors of the Company for the year ended 31 December 2017 are as follows (in RMB thousands):

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as director	Total
Feng Wan	–	4,737	–	–	–	–	4,737
Zongjian Li	–	2,921	–	–	–	–	2,921
Xiangdong Liu	–	–	–	–	–	–	–
Lianhua Xiong (i)	–	–	–	–	–	–	–
Kunzong Wu	–	–	–	–	–	–	–
Aimin Hu	–	–	–	–	–	–	–
John Robert DACEY	–	–	–	–	–	–	–
Yulong Peng (i)	–	–	–	–	–	–	–
Xianglu Li	320	–	–	–	–	–	320
Wei Zheng	320	–	–	–	–	–	320
Lie Cheng	270	–	–	–	–	–	270
Anthony Francis Neoh	270	–	–	–	–	–	270
Jianxin Geng (ii)	55	–	–	–	–	–	55
Yuanling Chen (iii)	–	–	–	–	–	–	–
Guozheng Zhang (iv)	–	–	–	–	–	–	–
Chung Mark Fong (v)	212	–	–	–	–	–	212

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

(i) The Company held the first extraordinary general meeting of 2017 on 28 April 2017. Lianhua Xiong and Yulong Peng were elected as directors for the sixth session of the Board of Directors.

(ii) The Company held the annual general meeting of 2016 on 27 June 2017. Jianxin Geng was elected as a director for the sixth session of the Board of Directors.

(iii) Resigned on 12 June 2017.

(iv) Resigned on 15 March 2017.

(v) Term expired on 2 September 2017.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(2) Supervisors' emoluments

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2018 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	**2,337**	**–**	**–**	**–**	**–**	**2,337**
Zhongzhu Wang	**1,272**	**834**	**–**	**–**	**–**	**2,106**
Tao Bi	**886**	**719**	**–**	**–**	**–**	**1,605**
Jiannan Yu (i)	**–**	**–**	**–**	**–**	**–**	**–**

The aggregate amounts of emoluments of supervisors of the Company for the year ended 31 December 2017 are as follows (in RMB thousands):

Name	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Inducement fees	Compensation for loss of office as supervisor	Total
Chengran Wang	3,303	–	–	–	–	3,303
Zhongzhu Wang	1,304	643	–	–	–	1,947
Tao Bi	804	523	–	–	–	1,327
Zhiyong Liu (ii)	–	–	–	–	–	–

(i) The Company held the second extraordinary general meeting of 2017 on 19 December 2017. Jiannan Yu was appointed as supervisors of the sixth session of the Board of Supervisors.

(ii) Ceased to fulfill his supervising duty since 25 January 2018.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

37 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION (Continued)

(3) Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group include 0 (for the year ended 31 December 2017: 1) director whose emolument was reflected in the analysis presented above.

Details of remuneration of the remaining 5 (for the year ended 31 December 2017: 4) highest paid individuals are as follows (in RMB thousands):

	For the year ended 31 December	
	2018	2017
Salaries, allowances and benefits in kind	**15,874**	14,078
Bonuses	**21,886**	18,381
Pension scheme contributions	**2,610**	2,438
Others	**370**	–
Total	**40,740**	34,897

The emoluments of the five members of senior management fell within the following bands:

	As at 31 December	
	2018	2017
HK$5,000,001 – HK$5,500,000	**–**	1
HK$6,000,001 – HK$6,500,000	**2**	–
HK$7,000,001 – HK$7,500,000	**–**	1
HK$8,000,001 – HK$9,000,000	**1**	1
HK$12,000,001 – HK$13,000,000	**–**	2
HK$13,000,001 – HK$14,000,000	**1**	–
HK$14,000,001 – HK$15,000,000	**1**	–

No emoluments have been paid by the Group to the directors, supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Consolidated Financial Statements (Continued)

For the year ended 31 December 2018 (All amounts in RMB millions unless otherwise stated)

38 EVENTS AFTER THE REPORTING PERIOD

(1) Dividend

In accordance with the profit distribution plan for the year 2018 approved by the Board on 20 March 2019, with the appropriation to its discretionary surplus reserve of RMB785 million (10% of the net profit for 2018), the Company proposed to distribute cash dividends amounting to RMB2,402 million to all shareholders of the Company at RMB0.77 per share (inclusive of tax). The foregoing profit distribution plan is subject to the approval by the Annual General Meeting.

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 20 March 2019.

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