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Unless otherwise indicated, translations of RMB amounts into U.S. dollars for presentation only in this annual report have been made at the rate of US\$ 1.00 to RMB 6.9430, the noon buying rate in the City of New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on December 30, 2016. No representation is made that Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate on December 30, 2016 or at all. Translations of foreign currency amounts into RMB amounts for the purpose of preparing our audited consolidated financial statements included elsewhere in this annual report or our previous annual reports have been made at the exchange rates published by the PBOC.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

If there is any discrepancy or inconsistency between the Chinese names of the PRC entities in this annual report and their English translations, the Chinese version shall prevail.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.**

Not applicable.

**ITEM 3. KEY INFORMATION.**

**A. SELECTED FINANCIAL DATA**

**Selected Historical Consolidated Financial Data**

The following tables set forth our selected consolidated financial information for the periods indicated. We have derived the consolidated financial information from our audited consolidated financial statements included elsewhere in this annual report or our previous annual reports.

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB.

You should read this information in conjunction with the rest of the annual report, including our audited consolidated financial statements and the accompanying notes, Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report and the independent registered public accounting firm's reports.

	For the year ended December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2016 US\$
<b>Consolidated Statement of Comprehensive Income</b>						
<i>(in millions except for per share data)</i>						
<b>Revenues</b>						
Gross written premiums	322,742	326,290	331,010	363,971	430,498	62,005
Less: premiums ceded to reinsurers	(384)	(556)	(515)	(978)	(1,758)	(253)
Net written premiums	322,358	325,734	330,495	362,993	428,740	61,751
Net change in unearned premium reserves	(232)	(921)	(390)	(692)	(2,510)	(362)
Net premiums earned	322,126	324,813	330,105	362,301	426,230	61,390
Investment income	73,243	82,816	93,548	97,582	109,147	15,720
Net realized gains/(losses) on financial assets	(26,876)	5,793	7,120	32,297	6,038	870
Net fair value gains/(losses) through profit or loss	(313)	137	5,808	10,209	(7,094)	(1,022)
Other income	3,305	4,324	4,185	5,060	6,460	930
<b>Total revenues</b>	<b>371,485</b>	<b>417,883</b>	<b>440,766</b>	<b>507,449</b>	<b>540,781</b>	<b>77,889</b>
<b>Benefits, claims and expenses</b>						
Insurance benefits and claims expenses						
Life insurance death and other benefits	(107,674)	(193,671)	(192,659)	(221,701)	(253,157)	(36,462)
Accident and health claims and claim adjustment expenses	(7,898)	(11,263)	(16,752)	(21,009)	(27,269)	(3,928)
Increase in insurance contract liabilities	(184,990)	(107,354)	(105,883)	(109,509)	(126,619)	(18,237)
Investment contract benefits	(2,032)	(1,818)	(1,958)	(2,264)	(5,316)	(766)
Policyholder dividends resulting from participation in profits	(3,435)	(18,423)	(24,866)	(33,491)	(15,883)	(2,288)
Underwriting and policy acquisition costs	(27,754)	(25,690)	(27,147)	(35,569)	(52,022)	(7,493)
Finance costs	(2,575)	(4,032)	(4,726)	(4,320)	(4,767)	(687)
Administrative expenses	(23,283)	(24,805)	(25,432)	(27,458)	(31,854)	(4,588)
Other expenses	(3,304)	(3,864)	(4,151)	(7,428)	(4,859)	(700)
Statutory insurance fund contribution	(609)	(637)	(701)	(743)	(1,048)	(151)
<b>Total benefits, claims and expenses</b>	<b>(363,554)</b>	<b>(391,557)</b>	<b>(404,275)</b>	<b>(463,492)</b>	<b>(522,794)</b>	<b>(75,298)</b>
Share of profit of associates and joint ventures, net	3,037	3,125	3,911	1,974	5,855	843
<b>Profit before income tax</b>	<b>10,968</b>	<b>29,451</b>	<b>40,402</b>	<b>45,931</b>	<b>23,842</b>	<b>3,434</b>
Income tax	304	(4,443)	(7,888)	(10,744)	(4,257)	(613)
<b>Net profit</b>	<b>11,272</b>	<b>25,008</b>	<b>32,514</b>	<b>35,187</b>	<b>19,585</b>	<b>2,821</b>
Attributable to:						

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- Equity holders of the Company	11,061	24,765	32,211	34,699	19,127	2,755
- Non-controlling interests	211	243	303	488	458	66
<b>Basic and diluted earnings per share<sup>(1)</sup></b>	<b>0.39</b>	<b>0.88</b>	<b>1.14</b>	<b>1.22</b>	<b>0.66</b>	<b>0.10</b>

(1) Numbers are based on the weighted average number of 28,264,705,000 shares in issue.

	For the year ended December 31,					2016 US\$
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	
<i>(in millions except for per share data)</i>						
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>						
Fair value gains/(losses) on available-for-sale securities	8,864	(25,135)	70,342	54,080	(44,509)	(6,411)
Amount transferred to net profit from other comprehensive income	26,876	(5,793)	(7,120)	(32,297)	(6,038)	(870)
Portion of fair value changes on available-for-sale securities attributable to participating policyholders	(2,635)	2,635	(11,035)	(12,767)	17,372	2,502
Share of other comprehensive income of associates and joint ventures under the equity method	167	(332)	120	353	(864)	(124)
Exchange differences on translating foreign operations				10	21	3
Income tax relating to components of other comprehensive income	(8,265)	7,050	(13,023)	(2,242)	8,242	1,187
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	25,007	(21,575)	39,284	7,137	(25,776)	(3,713)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>						
<b>Other comprehensive income for the year, net of tax</b>	25,007	(21,575)	39,284	7,137	(25,776)	(3,713)
<b>Total comprehensive income for the year, net of tax</b>	<b>36,279</b>	<b>3,433</b>	<b>71,798</b>	<b>42,324</b>	<b>(6,191)</b>	<b>(892)</b>
Attributable to:						
- Equity holders of the Company	36,056	3,203	71,443	41,775	(6,647)	(957)
- Non-controlling interests	223	230	355	549	456	66

	As of December 31,					
	2012 RMB	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2016 US\$
<b>Consolidated Statement of Financial Position</b>	<i>(in millions)</i>					
<b>Assets</b>						
Property, plant and equipment	22,335	23,393	25,348	26,974	30,389	4,377
Investment properties		1,329	1,283	1,237	1,191	172
Investments in associates and joint ventures	28,991	34,775	44,390	47,175	119,766	17,250
Held-to-maturity securities	452,389	503,075	517,283	504,075	594,730	85,659
Loans	80,419	118,626	166,453	207,267	226,573	32,633
Term deposits	641,080	664,174	690,156	562,622	538,325	77,535
Statutory deposits - restricted	6,153	6,153	6,153	6,333	6,333	912
Available-for-sale securities	506,416	491,527	607,531	770,516	766,423	110,388
Securities at fair value through profit or loss	34,035	34,172	53,052	137,990	209,124	30,120
Securities purchased under agreements to resell	894	8,295	11,925	21,503	43,538	6,271
Accrued investment income	28,926	34,717	44,350	49,552	55,945	8,058
Premiums receivable	8,738	9,876	11,166	11,913	13,421	1,933
Reinsurance assets	948	1,069	1,032	1,420	2,134	307
Other assets	18,140	20,430	19,411	23,642	22,013	3,171
Cash and cash equivalents	69,452	21,330	47,034	76,096	67,046	9,657
<b>Total assets</b>	<b>1,898,916</b>	<b>1,972,941</b>	<b>2,246,567</b>	<b>2,448,315</b>	<b>2,696,951</b>	<b>388,442</b>
<b>Liabilities and equity</b>						
<b>Liabilities</b>						
Insurance contracts	1,384,537	1,494,497	1,603,446	1,715,985	1,847,986	266,165
Investment contracts	66,639	65,087	72,275	84,106	195,706	28,188
Policyholder dividends payable	44,240	49,536	74,745	107,774	87,725	12,635
Interest-bearing loans and borrowings			2,623	2,643	16,170	2,329
Bonds payable	67,981	67,985	67,989	67,994	37,998	5,473
Financial liabilities at fair value through profit or loss			10,890	856	2,031	293
Securities sold under agreements to repurchase	68,499	20,426	46,089	31,354	81,088	11,679
Annuity and other insurance balances payable	16,890	23,179	25,617	30,092	39,038	5,623
Premiums received in advance	2,576	6,305	15,850	32,266	35,252	5,077
Other liabilities	16,435	18,233	20,062	26,514	36,836	5,305
Deferred tax liabilities	7,834	4,919	19,375	16,953	7,768	1,119
Current income tax liabilities	22	5	52	5,347	1,214	175
Statutory insurance fund	162	184	223	217	491	71
<b>Total liabilities</b>	<b>1,675,815</b>	<b>1,750,356</b>	<b>1,959,236</b>	<b>2,122,101</b>	<b>2,389,303</b>	<b>344,131</b>

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**Equity**

Share capital	28,265	28,265	28,265	28,265	28,265	4,071
Other equity instruments				7,791	7,791	1,122
Reserves	112,509	97,029	145,919	163,381	145,007	20,885
Retained earnings	80,311	95,037	109,937	123,055	122,558	17,652

**Attributable to equity holders of the Company**

<b>221,085</b>	<b>220,331</b>	<b>284,121</b>	<b>322,492</b>	<b>303,621</b>	<b>43,731</b>
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<b>Non-controlling interests</b>	2,016	2,254	3,210	3,722	4,027	580
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<b>Total equity</b>	<b>223,101</b>	<b>222,585</b>	<b>287,331</b>	<b>326,214</b>	<b>307,648</b>	<b>44,311</b>
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<b>Total liabilities and equity</b>	<b>1,898,916</b>	<b>1,972,941</b>	<b>2,246,567</b>	<b>2,448,315</b>	<b>2,696,951</b>	<b>388,442</b>
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## Exchange Rate Information

We prepare our consolidated financial statements in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars, and U.S. dollars into Renminbi, at RMB 6.9430 to US\$ 1.00, the noon buying rate on December 30, 2016 in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. You should not assume that Renminbi amounts could actually be converted into U.S. dollars at these rates or at all. Translations of foreign currency amounts into RMB amounts for the purpose of preparing our audited consolidated financial statements included elsewhere in this annual report or our previous annual reports have been made at the exchange rates published by the PBOC.

Since July 21, 2005, the PRC government has followed a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. During this period, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. In 2016, the Renminbi depreciated approximately 7.18% against the U.S. dollar. However, it remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investments, loans or securities, requires the approval of the SAFE and other relevant authorities. Although experimental policies were recently introduced in certain pilot areas such as the Shanghai free trade zone to reduce foreign exchange control, restrictions on the convertibility of Renminbi into foreign currency are still in force in most parts of China.

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$ 1.00. The central element in the arrangements which give effect to the link is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and the Bank of China (Hong Kong) Limited, certificates of debts, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK\$7.80 to US\$ 1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of debts to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to US\$ 1.00 since the link was first established. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Exchange rates between the Hong Kong dollar and other currencies are influenced by the linked rate between the U.S. dollar and the Hong Kong dollar.



The following tables set forth various information concerning exchange rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates we used in this annual report. The source of these rates is the H.10 statistical release of the Federal Reserve Board. On April 7, 2017, the exchange rates were US\$ 1.00 to RMB 6.8978 and US\$ 1.00 to HK\$ 7.7691, respectively. The following table sets forth the high and low rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each of the periods shown:

	RMB per US\$		HK\$ per US\$	
	High	Low	High	Low
October 2016	6.7819	6.6685	7.7600	7.7536
November 2016	6.9195	6.7534	7.7581	7.7546
December 2016	6.9580	6.8771	7.7674	7.7534
January 2017	6.9575	6.8360	7.7580	7.7540
February 2017	6.8821	6.8517	7.7627	7.7575
March 2017	6.9132	6.8687	7.7714	7.7611
April 2017 (through April 7, 2017)	6.8978	6.8832	7.7708	7.7687

The following table sets forth the period-end rates and the average rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each of 2012, 2013, 2014, 2015, 2016 and 2017 (through April 7, 2017) (calculated by averaging the rates on the last day of each month of the periods shown):

	Period-end rate		Average rate	
	RMB per		RMB per	
	US\$	HK\$ per US\$	US\$	HK\$ per US\$
2012	6.2301	7.7507	6.2990	7.7556
2013	6.0537	7.7539	6.1412	7.7565
2014	6.2046	7.7531	6.1704	7.7554
2015	6.4778	7.7507	6.2869	7.7519
2016	6.9430	7.7534	6.6549	7.7618
2017 (through April 7, 2017)	6.8978	7.7691	6.8811	7.7653

#### B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

#### C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

#### D. RISK FACTORS

Our business, financial condition and results of operations can be affected materially and adversely by any of the following risk factors. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations.



## **Risks Relating to Our Business**

*Our investments are subject to risks.*

*We are exposed to potential investment losses if there is an economic downturn in China.*

Until November 2006, we were only permitted to invest the premiums and other income we receive in investments in China. We obtained the approval to invest overseas with our foreign currency denominated funds in November 2006. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments . However, we continued to make our investments mainly in China and, as of December 31, 2016, approximately 98.39% of our total investment assets were in China. In particular, as of December 31, 2016, approximately 46.83% of our total investment assets consisted of debt securities including Chinese government bonds, government agency bonds, corporate bonds, subordinated bonds and debt and other bonds and debts as approved by relevant government agencies; and 21.94% of our total investment assets consisted of term deposits with Chinese banks, and of these deposits, 68.01% were placed with the five largest Chinese state-owned commercial banks. A serious downturn in the Chinese economy may lead to investment losses, which would reduce our earnings.

*The PRC securities markets are still emerging markets, which may expose us to risks of loss from our investments there.*

As of December 31, 2016, we had RMB 421,383 million (US\$ 60,692 million) invested in equity securities, among which RMB 128,625 million (US\$ 18,526 million) were invested in PRC securities markets, including securities investment funds and shares traded on the securities markets in China. These securities investment funds and shares are primarily invested in equity securities that are issued by Chinese companies and traded on China's stock exchanges. The PRC securities markets are still emerging markets and are characterized by evolving regulatory, accounting and disclosure requirements. This may from time to time result in significant price volatility, unexpected losses or lack of liquidity. These factors could cause us to incur losses on our publicly traded investments. In addition, the PRC securities markets have recently experienced, and may experience in the future, significant volatility. For example, in 2016, the SSE Index, a major stock exchange index in China, decreased by 14% from 3,186 points on January 8 to 2,738 points on January 29, ending the year at 3,104 points. Also, as one of the largest institutional investors in China, we may from time to time hold significant positions in many securities in which we invest, and any decision to sell or any perception in the market that we are a major seller of a security could adversely affect the liquidity and market price of that security.

*Defaults on our debt investments may materially and adversely affect our profitability.*

Approximately 46.83% of our investment assets as of December 31, 2016 were comprised of debt securities. The issuers whose debt securities we hold may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce our profitability.

***Investments in new investment channels may not lead to improvements in our rate of investment return or we may incur losses.***

The CIRC has in recent years significantly broadened the investment channels of Chinese life insurance companies. We have considered these alternative methods when making investments. For example, we made our first domestic private equity fund investment in 2011. In 2012, we made a direct equity investment in COFCO Futures Co., Ltd. by acquiring a 35% equity interest in it. In 2013, we began making investments in commercial real estate properties. In 2014, we made our first overseas real property investment, first overseas private equity fund investment and first domestic preferred shares investment. In 2016, we made our first investment in shares traded on the Hong Kong Stock Exchange through the stock connect link between China's mainland markets and the Hong Kong Stock Exchange, and we also made our first investment in interbank negotiable certificates of deposits. However, our experience with these new investment channels, especially overseas channels, might be limited, and these new channels are still subject to evolving regulatory requirements, which may increase the risk exposure of our investments. For example, since January 2013, debt investment plans are no longer required to be filed with and reviewed by the CIRC, and in March 2014, the CIRC warned insurance companies of risks in debt investment plans. The CIRC noted, among other things, that issuers of some debt investment plans are not properly backed by their parent companies which are supposed to guarantee the payments if the plans face financial difficulties. Parent companies of some issuers do not engage in operating activities that can generate cash inflows and do not have effective control over their subsidiaries. As a result, the consolidated financial statements of these companies may not fully reflect their capacity to make payments when the plans face financial difficulties. As of December 31, 2016, the total amount of our investment in debt investment plans was RMB 63,028 million (US\$ 9,078 million). These factors could cause us to incur losses for our investments in these new investment channels or limit our ability to improve our rate of investment return.

***We may incur foreign exchange and other losses for our investments denominated in foreign currencies.***

A portion of our investment assets are held in foreign currencies. We are authorized by the CIRC to invest our assets held in foreign currencies in the overseas financial markets as permitted by the CIRC. Thus, our investment results may be subject to foreign exchange risks, as well as the volatility and various other factors of overseas capital markets, including, among others, increase in interest rates. We recorded RMB 582 million (US\$ 84 million) in foreign exchange gains for the year ended December 31, 2016, resulting mainly from the increase of our assets held in foreign currencies and the depreciation of the Renminbi. However, it remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi. Future movements in the exchange rate of RMB against the U.S. dollar and other foreign currencies may adversely affect our results of operations and financial condition.

***We are exposed to changes in interest rates.***

***Changes in interest rates may affect our profitability.***

Our profitability is affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. In November 2014, the interest rate on one-year term deposits, a key benchmark rate, was reduced from 3.00% to 2.75%. During 2015, the PBOC reduced the interest rate on one-year term deposits five times, from 2.75% to 1.50%. As of the date of this annual report, this interest rate remained unchanged. If the Chinese government further reduces interest rates, the income we realize from our investments may decrease, affecting our profitability. In addition, as instruments in our investment portfolio mature, we might have to reinvest the funds we receive in investments bearing low interest rates, which may also affect our profitability. However, if interest rates were to increase in the future, surrenders and withdrawals of insurance and annuity policies and contracts may increase as policy holders may seek other investments with higher perceived returns. This process may result in cash outflows requiring that we sell investment assets at a time when the

prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses.

For many of our long-term life insurance and annuity products, we are obligated to pay contractual benefits to our policyholders or annuitants based on a guaranteed interest or crediting rate, which is established when the product is priced. These products expose us to the risk that changes in interest rates may change our spread, or the difference between the rate of return we are able to earn on our investments intended to support our insurance obligations and the amounts that we are required to pay under the policies.

On June 10, 1999, the CIRC set the maximum guaranteed rate which life insurance companies could commit to pay on new policies at 2.50% and, in response, we set the guaranteed rates on our products at a range of between 1.50% and 2.50%. In August 2013 and February 2015, the CIRC removed the original 2.50% cap on the guaranteed rates on traditional non-participating insurance policies and universal life insurance policies, respectively. In September 2015, the CIRC further removed the 2.50% cap on the guaranteed rate for participating life insurance policies. From October 1, 2015, the guaranteed rates of all long-term insurance products are to be decided by insurance companies at their discretion in accordance with the principle of prudence, but CIRC approval is required for products with guaranteed rates above the maximum valuation rate set by the CIRC. This maximum valuation rate varies depending on product. Although the removal of the 2.50% cap has not resulted in any material impact on the profitability of our insurance policies in force, it could result in the increase of the guaranteed rates of our new products and the decrease of our spread. We cannot assure you that the removal of the 2.50% cap will not lead to a material adverse effect on our business, results of operations or financial condition.

As of December 31, 2016, the average guaranteed rate of return for all of our insurance policies in force was 2.58%, while our investment yields for the years ended December 31, 2016, 2015 and 2014 were 4.56%, 6.39% and 5.39%, respectively. See Item 4. Information on the Company Business Overview Investments Investment Results. However, if the rates of return on our investments were to fall below the minimum rates we guarantee, our profitability would be materially and adversely affected.

***Because of the general lack of long-term fixed income securities in the Chinese capital markets, we are unable to match closely the duration of our assets and liabilities, which increases our exposure to interest rate risk.***

Like other insurance companies, we seek to manage interest rate risk through managing, to the extent possible, the average duration of our investment assets and the insurance policy liabilities they support. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of the changes largely will be offset against each other. However, the limited availability of long-duration investment assets in the markets in which we invest, has resulted in, and in the future may result in, the duration of our assets being shorter than that of our liabilities, particularly with respect to liabilities with durations of more than 20 years. Furthermore, the Chinese financial markets currently do not provide adequate financial derivative products for us to hedge our interest rate risk. We believe that with the development of the Chinese capital markets and the gradual easing of the investment restrictions imposed on insurance companies in China, our ability to match the duration of our assets to that of our liabilities will improve. We also seek to manage the risk of duration mismatch by focusing on product offerings whose maturity profiles are in line with the duration of investments available to us in the prevailing investment environment. However, until we are able to match more closely the duration of our assets and liabilities, we will continue to be exposed to interest rate changes, which may materially and adversely affect our business and earnings.

***Our growth is dependent on our ability to attract and retain productive agents.***

A substantial portion of our business is conducted through our exclusive agents. Because of differences in productivity, some of our sales agents are responsible for a disproportionately high percentage of our sales of individual products. If we are unable to retain and build on this core group of highly productive agents, our business could be materially and adversely affected. Increasing competition for agents from other insurance companies and business institutions and increasing labor costs in China may also force us to increase the compensation of our agents, which would increase our operating costs and reduce our profitability. In addition, on January 6, 2013, the CIRC issued the Regulatory Rules on Insurance Sales Personnel, or the Sales Personnel Rules, which became effective on July 1, 2013. Among other things, the Sales Personnel Rules provide that exclusive agents must have at least a college degree, instead of a junior high school degree as previously required by the CIRC. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries . The CIRC has authorized its local branches to set the education degree requirements for exclusive agents by considering local conditions. As of the date of this annual report, the CIRC's local branches maintain different requirements on education degrees of the exclusive agents who practice in their respective jurisdictions. For example, the CIRC's Jiangsu branch has stipulated that the college degree requirement would be applicable to any new qualified exclusive agents who sell insurance products in Jiangsu province's non-rural and rural areas since July 1, 2015 and July 1, 2018, respectively. The CIRC's Guangxi branch has stipulated that any new qualified exclusive agents who sell insurance products in Guangxi must have at least a high school degree. We believe that the market competition for qualified agents will be increased further if more CIRC branches were to impose the requirement of having a college degree or above on new qualified exclusive agents or if the CIRC were to strictly enforce such rules at the national level. We cannot guarantee that we will not have difficulty in attracting and retaining productive agents in the future.

***If we are unable to develop other distribution channels for our products, our growth may be materially and adversely affected.***

Commercial banks and banking operations of post offices are rapidly emerging as some of the fastest growing distribution channels in China. Newly established domestic and foreign-invested life insurance companies have been focusing on commercial banks and banking operations of post offices as one of their main distribution channels. In addition, with the relaxation of the regulatory restrictions of ownership by commercial banks in insurance companies, the number of insurance companies owned or controlled by commercial banks is increasing. Each of the five largest Chinese state-owned commercial banks has set up their own life insurance companies. These insurance companies are able to benefit from their holding relationships with these commercial banks to develop bancassurance as their main distribution channels. We do not have exclusive arrangements with any of the commercial banks and banking operations of post offices through which we sell insurance and annuity products, and thus our sales may be materially and adversely affected if one or more commercial banks or banking operations of post offices choose to favor our competitors' products over our own. In addition, as the bancassurance market becomes increasingly competitive, commercial banks and banking operations of post offices may demand higher commission rates, which could increase our cost of sales and reduce our profitability. If we are unable to continue to develop our alternative distribution channels, our growth may be materially and adversely affected.

***Agent and employee misconduct is difficult to detect and deter and could harm our reputation or lead to regulatory sanctions or litigation costs.***

Agent or employee misconduct could result in violations of law by us, regulatory sanctions, litigation or serious reputational or financial harm. Misconduct could include:

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engaging in misrepresentation or fraudulent activities when marketing or selling insurance policies or annuity contracts to customers;



hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses; or

otherwise not complying with laws or our control policies or procedures.

We cannot always deter agent or employee misconduct, and the precautions we take to prevent and detect these activities may not be effective in all cases. We have experienced agent and employee misconduct that has resulted in litigation and administrative actions against us and these agents and employees, and in some cases criminal proceedings and convictions against the agent or employee in question. None of these actions has resulted in material losses, damages, fines or other sanctions against us. We cannot assure you, however, that agent or employee misconduct will not lead to a material adverse effect on our business, results of operations, financial condition or prospects.

***Our business is dependent on our ability to attract and retain key personnel, including senior management, underwriting personnel, actuaries, information technology specialists, investment managers and other professionals.***

The success of our business is dependent to a large extent on our ability to attract and retain key personnel who have in-depth knowledge and understanding of the life insurance market in China, including members of our senior management, qualified underwriting personnel, actuaries, information technology specialists and experienced investment managers. As of the date of this annual report, we do not carry key personnel insurance for any of these personnel. We compete to attract and retain these key personnel with other life insurance companies and financial institutions, some of which may offer better compensation arrangements. Existing insurers are expanding their operations and the number of other financial institutions is growing. As the insurance and investment businesses continue to expand in China, we expect that competition for these personnel will increase in the future. Although we have not had difficulty in attracting and retaining qualified key personnel in the past, we cannot guarantee that this will continue to be the case. If we were unable to continue to attract and retain key personnel, our business and financial performance could be materially and adversely affected.

***Differences in future actual operating results from the assumptions used in pricing and establishing reserves for our insurance and annuity products may materially affect our earnings.***

Our earnings depend significantly upon the extent to which our actual operating results are consistent with the relevant assumptions used in setting the prices for our products and establishing the reserves in our financial statements. Our assumptions include those for discount rate, mortality, morbidity, expenses and lapse rate, as well as certain macro-economic factors. To the extent that trends in actual experiences are less favorable than our underlying assumptions used in establishing these reserves, and these trends are expected to continue in the future, we could be required to increase our reserves. Any such increase could have a material adverse effect on our profitability and, if significant, our financial condition.

We establish the reserves for obligations of future policies based on the expected present value of net cash outflows, calculated through the use of assumptions for discount rate, mortality, morbidity, expenses and lapse rate, as well as certain macro-economic factors. These assumptions are based on our previous experience and data published by other Chinese life insurers, as well as judgments made by the management. These assumptions may deviate from our actual experience, and, as a result, we cannot determine precisely the amounts which we will ultimately pay to settle these reserves or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. The discount rate assumption is affected by certain factors, such as further macro-economy, monetary and exchange rate policies, capital market results and availability of investment channels to invest our insurance funds. We review and update the assumptions used to evaluate the reserves periodically, and establish the reserves for insurance policies based on such assumptions. If the reserves originally established for future policy benefits prove inadequate, we must increase our reserves established

for future policy benefits, which may have a material effect on our earnings and our financial condition.

We have data available for a shorter period of time than insurance companies operating in some other countries do and, as a result, less claims experience on which to base some of the assumptions used in establishing our reserves. For a discussion of how we establish our assumptions for mortality, morbidity and lapse rate, see Item 5. Operating and Financial Review and Prospects Critical Accounting Policies . Given the limited nature of this experience, it is possible that our actual claims could vary significantly from the assumptions used.

***Our risk management and internal reporting systems, policies and procedures may leave us exposed to unidentified or unanticipated risks, which could materially and adversely affect our businesses or result in losses.***

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Many of our methods of managing risk and exposures are based upon our use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than what the historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, customers or other matters that is publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated. In addition, a significant portion of business information needs to be centralized from our many branch offices. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Failure or the ineffectiveness of these systems could materially and adversely affect our business or result in losses.

We are likely to offer a broader and more diverse range of insurance and investment products in the future as the insurance market in China continues to develop. At the same time, we anticipate that the relaxing of regulatory restraints will result in us being able to invest in a significantly broader range of asset classes. The combination of these factors will require us to continue to enhance our risk management capabilities and is likely to increase the importance of our risk management policies and procedures to our results of operations and financial condition. If we fail to adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

***Catastrophes could materially reduce our earnings and cash flow.***

We could in the future experience catastrophic losses that may have an adverse impact on the business, results of operations and financial condition of our insurance business. Catastrophes can be caused by various events, including terrorist attacks, earthquakes, hurricanes, floods, fires and epidemics, such as severe acute respiratory syndrome, or SARS. For example, the snow disaster in South China and earthquake in Wen Chuan in 2008 increased our current claims payments.

We establish liabilities for claims arising from a specific catastrophe after assessing the exposure and damages arising from the event. Although we have purchased catastrophe reinsurance in order to reduce our catastrophe exposure, we cannot assure you that any significant catastrophic event will not have a material adverse effect on us.

***Current or future litigation, arbitration and regulatory proceedings could result in financial losses or harm our businesses.***

We are involved in litigation and arbitration proceedings involving our insurance operations on an ongoing basis. In addition, the CIRC, as well as other PRC governmental agencies, including tax, commerce and industrial administration and audit bureaus, from time to time make inquiries and conduct examinations or investigations concerning our compliance with PRC laws and regulations. These litigation, arbitration and administrative proceedings have in the past resulted in payments of insurance benefits, damage awards, settlements or administrative sanctions, including fines, which have not been material to us. We currently have control procedures in place to monitor our litigation, arbitration and regulatory exposure and take appropriate actions. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Legal and Regulatory Proceedings . While we cannot predict the outcome of any pending or future litigation, arbitration, examination or investigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any future litigation, arbitration or regulatory proceeding will not have an adverse outcome, which could have a material adverse effect on our operating results or cash flows. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Legal and Regulatory Proceedings .

***The embedded value information we present in this annual report is based on several assumptions and may vary significantly as those assumptions are changed.***

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed information regarding our embedded value, as discussed in the section entitled Item 8. Financial Information Embedded Value . The embedded value is an estimate of our economic value (excluding any value attributed to future new business) and is based on a discounted cash flow valuation determined using commonly applied actuarial methodologies. Standards with respect to the calculation of embedded value are still evolving, however, and there is no universal standard which defines the form, calculation method or presentation format of the embedded value of an insurance company. Assumptions used in embedded value calculations include discount rate, mortality, morbidity, expenses and surrender rate, as well as certain macro-economic factors, many of which are beyond our control. These assumptions may deviate significantly from our actual experience and therefore the embedded value is consequently not inherently predictive. Furthermore, since our actual market value is determined by investors based on a variety of information available to them, the embedded value should not be construed to be a direct reflection of our actual market value and performance. The inclusion of the embedded value in this annual report should not be regarded as a representation by us, our management or any other person as to our future profitability. Because of the technical complexity involved in embedded value calculations and the fact that embedded value estimates vary materially as key assumptions are changed, you should read the discussion under the section entitled Item 8. Financial Information Embedded Value in its entirety. You should use special care when interpreting embedded value results and should not place undue reliance on them. See also Forward-Looking Statements .

***A computer system failure, cyber-attacks or other security breaches may disrupt our business, damage our reputation and adversely affect our results of operations and financial condition.***

We use computer systems to store, retrieve, evaluate and utilize customer and company data and information. Our business is highly dependent on our ability to access these systems to perform necessary business functions such as developing and selling insurance products, providing customer support, policy management, filing and paying claims, managing our investment portfolios and producing financial statements. Although we have designed and implemented a variety of security measures and backup plans to prevent or limit the effect of failure, our computer systems may be vulnerable to disruptions as a result of natural disasters, man-made disasters, criminal activities, pandemics or other events beyond our control. In addition, our computer systems may be subject to computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. The failure of our computer systems for any reason could disrupt our operations and may adversely affect our business, results of operations and financial condition. Although we have not experienced such a computer system failure or security breach in the past, we cannot assure you that we will not encounter a failure or security breach in the future.

We retain confidential information on our computer systems, including customer information and proprietary business information. In addition, for business purposes, from time to time customer information is transmitted between our computer systems and those of third parties, such as third-party agents selling insurance products for us. Any compromise of the security or other errors of our computer systems or those arising during the information transmission process that result in the disclosure of personally identifiable customer information could damage our reputation, expose us to litigation, increase regulatory scrutiny and require us to incur significant technical, legal and other expenses.

***United States Foreign Account Tax Compliance Act***

The Foreign Account Tax Compliance Act, or FATCA, generally requires a foreign financial institution, or FFI, to enter into an FFI agreement under which it will agree to identify and provide the United States Internal Revenue Service, or IRS, with information regarding accounts, including certain insurance policies, held by U.S. persons and U.S.-owned foreign entities, or face 30% withholding tax on withholdable payments, which include among other items, payments of U.S.-source interest and dividends and gross proceeds from the sale or other disposition of property that may produce U.S.-source interest or dividends. In addition, an FFI that has entered into an FFI agreement may be required to withhold on certain foreign passthru payments that it makes to FFIs that have not entered into their own FFI agreements or to account holders who do not respond to requests to confirm their U.S. person status and/or do not agree to allow the FFI to report certain account related information to the IRS. Withholding on foreign passthru payments will begin no earlier than 2019. Since existing guidance reserves on the definition of foreign passthru payment, the scope of any withholding on foreign passthru payments is uncertain at this time.

The United States and the PRC have agreed in substance on the terms of an intergovernmental agreement, or IGA, that is intended to facilitate the type of information reporting required under FATCA. Under the agreed terms, instead of reporting directly to the IRS, Chinese FFIs are required to report specified account information directly to the PRC tax authority, which will then pass that information to the IRS. While compliance with the IGA will not eliminate the risk of withholding described above, it is expected to reduce that risk for FFIs that are resident in China. Although the IGA has not yet been officially signed, the PRC and the United States have agreed to treat the IGA as in effect from June 26, 2014, provided that the PRC continues to demonstrate firm resolve to sign the IGA as soon as possible. If the United States and the PRC ultimately fail to reach a final agreement on the terms of the IGA, then the FATCA reporting and withholding regime described in the prior paragraph will apply to Chinese FFIs.

We will closely monitor developments regarding FATCA and the IGA. If we are required to comply with the terms of the IGA or FATCA, as applicable, we expect that our compliance costs will increase. If we do not comply with the

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terms of the IGA or FATCA, as applicable, then certain payments to us will be subject to withholding under FATCA. However, since the text of the IGA has not been released, and regulations and other guidance remain under development, the future impact of this law on us is uncertain.

***The auditors' reports included in this annual report are prepared by relying on audit work which is not inspected by the Public Company Accounting Oversight Board and, as such, investors may be deprived of the benefits of such inspection.***

Auditors of companies that are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the US Public Company Accounting Oversight Board (United States), or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because we have substantial operations within China and our independent registered public accounting firm is based in China, the PCAOB is currently unable to conduct inspections of the work of our auditor as it relates to those operations without the approval of the Chinese authorities, and thus our auditor's work related to our operations in China is not currently inspected by the PCAOB.

This lack of PCAOB inspection of audit work performed in China prevents the PCAOB from regularly evaluating the audit work of any auditor that was performed in China including those performed by our auditor. As a result, investors may be deprived of the full benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of audit work performed in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

***We may be adversely affected if additional remedial measures are imposed on the four China-based accounting firms which reached settlement with the SEC in the administrative proceedings brought by the SEC against them.***

In December 2012, the SEC initiated administrative proceedings against five accounting firms in China, alleging that they refused to produce audit work papers and other documents related to certain China-based companies under investigation by the SEC for potential accounting fraud. In January 2014, an SEC administrative law judge ruled in favor of the SEC, issuing an initial decision which censured each of the five accounting firms for failure to provide their audit work papers to the SEC and ordered a six-month suspension of the China-based affiliates of four of the five accounting firms' right to practice before the SEC. The accounting firms have appealed the decision of the administrative law judge to the SEC, and the decision will not come into force unless and until an order of finality is issued by the SEC. We are not subject to any SEC investigations, nor are we involved in the proceedings brought by the SEC against the accounting firms. However, the China affiliate of the independent registered public accounting firm that has issued the auditor's report included in our annual report filed with the SEC for the 2012 fiscal year and the China affiliate of our independent registered public accounting firm for the 2013, 2014 and 2015 fiscal years which is also our independent registered public accounting firm for the 2016 fiscal year are two of the five accounting firms named in the SEC's proceedings.

In February 2015, four of the five accounting firms, including the China affiliate of the independent registered public accounting firm that has issued the auditor's report included in our annual report filed with the SEC for the 2012 fiscal year and the China affiliate of our independent registered public accounting firm for the 2013, 2014 and 2015 fiscal years which is also our independent registered public accounting firm for the 2016 fiscal year, each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to audit documents of China-based companies via the CSRC. If future document productions fail to meet the specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure, including an automatic six-month bar on the performance of certain audit work, commencement of a new proceeding or the resumption of the current proceeding by the SEC. While we cannot predict if the SEC will further review the four China-based accounting firms' compliance with specified criteria or if the results of such a review would result in the SEC imposing penalties, if they are subject to additional remedial measures, we may be adversely affected, along with other U.S.-listed companies in China audited by these accounting firms. If none of the China-based auditors are able to continue to perform audit work for China-based companies listed in the U.S., we will not be able to meet the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting of our ADSs from the NYSE.

### **Risks Relating to the PRC Life Insurance Industry**

*We expect competition in the Chinese insurance industry to increase, which may materially and adversely affect the growth of our business.*

We face competitive pressures from both domestic and foreign-invested life insurance companies operating in China, as well as from property and casualty insurance companies, which may compete with our accident and short-term health insurance businesses, and other financial institutions that sell other financial investment products in competition with ours. In addition, the establishment of other professional health insurance companies and pension annuities companies may also lead to greater competition in the health insurance business and commercial pension insurance business. If we are not able to adapt to these increasingly competitive pressures in the future, our growth rate may decline, which could materially and adversely affect our earnings.

*Competition among domestic life insurance companies is increasing.*

Our closest competitors are Ping An Life Insurance Company of China, Ltd., or Ping An Life, New China Life Insurance Co., Ltd., or New China Life, and China Pacific Life Insurance Co., Ltd., or China Pacific Life. Together, Ping An Life, New China Life, China Pacific Life and we accounted for more than 48% of the life insurance premiums in China in 2015, the last year for which official market information is available. According to statistical and market share information derived from China Insurance Yearbook, our market share of the life insurance premiums in China decreased from 26% in 2014 to 23% in 2015. Each of Ping An Life, New China Life and China Pacific Life has operated in the Chinese insurance market for more than ten years, and each has a recognized brand name. In 2015, Ping An Life had a greater market share than we did in Beijing, Shanghai, Qingdao, Dalian, Shenzhen and Xiamen, and New China Life had a greater market share than we did in Beijing. We also face competition from insurance companies owned or controlled by commercial banks. Each of the five largest Chinese state-owned commercial banks has set up their own life insurance companies. These insurance companies are able to benefit from their holding relationships with these commercial banks to develop bancassurance as their main distribution channels. In addition, we also face competition from smaller insurance companies, which may develop strong positions in various regions in which we operate, and new entrants to the group life insurance market, including professional pension companies that are being established pursuant to a set of regulations promulgated by the Ministry of Human Resources and Social Security of the PRC, and new entrants to the health insurance industry, including newly approved and established professional health insurance companies, following the adoption by the Chinese government



of policies that encourage the development of health insurance and improved health care in China.

***Competition from foreign-invested life insurance companies is increasing, as restrictions on their operations in China are relaxed.***

Foreign-invested life insurance companies are insurance companies in which foreign entities hold at least a 25% interest. Foreign-invested insurers have been permitted to sell health, annuity and group life insurance products nationwide since December 2004. In Shanghai, Guangzhou, Shenzhen and Beijing, where foreign-invested insurers have been allowed to operate since 1992, 1995, 1999 and 2003, respectively, the foreign-invested insurers had respective life insurance market shares of approximately 19%, 23%, 10% and 17% in 2015, respectively. We believe that the relaxation of the restrictions on foreign-invested insurers will continue to increase the competitive pressures we are facing.

***We are likely to face increasing competition from property and casualty insurance companies and other companies offering products that compete with our own.***

In addition to competition from life insurance companies, we face competition from other companies that may offer products that compete with our own, including:

*Property and casualty companies.* Beginning on January 1, 2003, property and casualty insurance companies have been permitted to sell accident and short-term health insurance products, but only with regulatory approval. There were 81 property and casualty insurers as of December 31, 2016. We believe property and casualty insurers have the competitive advantage of being able to bundle, or cross-sell, accident and short-term health products with the other non-life insurance products that they are currently selling to their existing and potential customers. We believe this will lead to greater competition in the accident and health insurance sectors, especially for the group accident and short-term health insurance products we offer. On December 30, 2006, we established a property and casualty company, CLPCIC, with CLIC. While this joint venture mainly focuses on property insurance business, it also develops accident and short-term health insurance business. Its operations may have a negative impact on sales of accident and short-term health insurance products by our wholly-owned businesses in the future.

*Mutual fund companies, commercial banks and other financial services providers.* We face increasing competition from other financial services providers, primarily licensed mutual fund companies, commercial banks providing personal banking services and operating business of various financial products, trust companies and securities brokerage firms licensed to manage separate accounts. Recent changes in Chinese investment regulations relaxing rules on the formation of mutual funds and sales of securities have led to greater availability and variety of financial investment products. These products may prove to be attractive to the public and thereby adversely affect the sale of some products we offer, including participating life insurance policies and annuities.

***All of our institutional insurance agencies and brokers are required to obtain permits and be registered. If a substantial number of our institutional insurance agencies and brokers fail to meet these qualification and registration requirements or this failure results in policyholders canceling their policies, our business may be materially and adversely affected.***

Institutional insurance agents and insurance brokers are required under the PRC insurance law to register with the administration of industry and commerce, and obtain business licenses with the permits issued by the CIRC. It also requires non-dedicated institutional insurance agencies to obtain registrations with the administration of industry and commerce with the permits issued by the CIRC. We cannot assure you that all of our institutional agents will obtain such licenses. The enforcement of this requirement could adversely affect the composition and effectiveness of our

distribution system, which could have a material adverse effect on our business.

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***Further development of regulations in China may impose additional costs and restrictions on our activities.***

We operate in a highly regulated industry. The CIRC supervises and administers the insurance industry in China. In exercising its authority, it is given certain discretion to administer the law. China's insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on our activities. For example, on January 6, 2013, the CIRC issued the Sales Personnel Rules, which became effective on July 1, 2013. Among other things, the Sales Personnel Rules provide that exclusive agents must have at least a college degree, instead of a junior high school degree as was previously required by the CIRC. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries. Although the detailed rules implementing the Sales Personnel Rules have not been issued and it is still unclear how such rules will be implemented by the CIRC at the national level, we believe that the market competition for qualified agents may be increased further and therefore the cost of attracting and retaining qualified agents may increase.

In addition, because the terms of our products are subject to regulations, changes in regulations may affect our profitability on the policies and contracts we issue. For instance, under guidelines issued by the CIRC, the dividends on our participating products must be no less than 70% of the distributable earnings from participating products in accordance with CIRC requirements. If this level were to be increased in the future, our profitability could be materially and adversely affected. Furthermore, in August 2013 and February 2015, the CIRC removed the original 2.50% cap on the guaranteed rate which life insurance companies could commit to pay on traditional non-participating insurance policies and universal life insurance policies, respectively. In September 2015, the CIRC further removed the 2.50% cap on the guaranteed rate for participating life insurance policies. From October 1, 2015, the guaranteed rates of all long-term insurance products are to be decided by insurance companies at their discretion in accordance with the principle of prudence, but CIRC approval is required for products with guaranteed rates above the maximum valuation rate set by the CIRC. This maximum valuation rate varies depending on product. The removal of the 2.50% cap on the guaranteed rates has not resulted in any material impact on the profitability of our insurance policies in force, but we cannot assure you that the removal of the 2.50% cap will not lead to a material adverse effect on our business, results of operations or financial condition.

***Our ability to comply with minimum solvency requirements is affected by a number of factors, and our compliance may force us to raise additional capital, which could increase our financing costs or be dilutive to our existing investors, or to reduce our growth.***

In February 2015, the CIRC issued the major technical standards for a new set of solvency regulations, the China Risk Oriented Solvency System, or C-ROSS, with the aim of replacing the then current solvency requirements on Chinese insurance companies, or Solvency I. C-ROSS adopts the internationally accepted three-pillar regulatory system which includes quantitative capital requirements, qualitative regulatory requirements and market discipline mechanisms while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. C-ROSS was officially implemented by the CIRC on January 1, 2016. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements. Our core solvency adequacy ratio under C-ROSS as of December 31, 2016 was 280.34%, and our comprehensive solvency adequacy ratio under C-ROSS as of December 31, 2016 was 297.16%. While our solvency ratio is currently above the regulatory requirements, if we grow rapidly in the future, or if the required solvency level is raised in the future, we may need to raise additional capital to meet our solvency requirement, including through additional issuance of subordinated debt, which would increase our financing costs, or through additional issuance of shares, which would be dilutive to our existing investors. If we are not able to raise additional capital, we may be forced to reduce the growth of our business.



Furthermore, as we are exposed to potential insurance, market and investment risks, we cannot assure you that our solvency ratio under C-ROSS will always be above the required level. If our solvency ratio under C-ROSS is below the required solvency level, we may need to raise additional capital to meet our solvency requirement, including through additional issuance of subordinated debt, which would increase our financing costs, or through additional issuance of shares, which would be dilutive to our existing investors. If we are not able to raise additional capital, we may be forced to reduce the growth of our business. A failure to meet our Solvency requirement can also lead to various regulatory actions being taken by the CIRC, which could have a material adverse effect on our business or financial condition. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements .

### **Risks Relating to the Restructuring**

***CLIC has incurred substantial losses on the policies retained by it in the restructuring. If CLIC is unable to meet its obligations to its policyholders, it may seek to increase the level of dividends we pay, sell the China Life shares it owns or take other actions which may have a material adverse effect on the value of the shares our other existing investors own.***

In connection with the restructuring, CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in a database attached to the restructuring agreement as an annex or (ii) having policy terms for group supplemental medical insurance (fund type), (2) stand-alone short-term policies (policies having a term of one year or less from the date of issuance) issued on or after June 10, 1999, and (3) all riders supplemental to the policies described in clauses (1) and (2) above, together with the reinsurance contracts specified in an annex to the restructuring agreement. See Item 4. Information on the Company History and Development of the Company Our Restructuring . CLIC has incurred substantial losses on these non-transferred policies, primarily because the guaranteed rates it had committed to pay on these policies are higher than the investment return it was able to generate on its investment assets. This negative spread on non-transferred policies created substantial losses for CLIC and a resulting negative net worth. The amount of accumulated undistributed profits of CLIC itself is expected to remain negative in the short term.

In connection with the restructuring, CLIC established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. Under the administrative measures for the special purpose fund as amended in May 2012, the special purpose fund will be funded by renewal premiums paid on the non-transferred policies over time; tax rebates received by CLIC; proceeds from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by its subsidiaries and shareholding enterprises; proceeds from the disposition by CLIC of its shares in its subsidiaries and shareholding enterprises over time; cash income from the disposition of assets by CLIC; financial assets owned by CLIC; long-term equity investment held by CLIC; and funds injected by the MOF in the event of a deficiency in the special purpose fund. The fund is co-administered by CLIC and the MOF. The special purpose fund will be available to satisfy CLIC's operating expenses, including the payment of benefits and claims obligations arising from the non-transferred policies, as well as expenses incurred in operating the special purpose fund, including third-party management fees, professional fees and such other purposes as the management committee of the fund may agree, as well as capital expenses as approved by the MOF. The special purpose fund will be dissolved when all claims and benefits under the non-transferred policies have been paid, or sooner if the management committee so agrees.

The MOF's approval of the special purpose fund issued to CLIC provides that in the event there is any deficiency in the special purpose fund for so long as the fund is in existence, as described above, to meet any payment obligation arising out of the non-transferred policies, the MOF will provide support through the injection of funds to ensure the payments of benefits and claims to the policyholders of the non-transferred policies. See Item 4. Information on the Company History and Development of the Company Our Restructuring . In connection with the restructuring, we were advised by our PRC legal counsel, King & Wood, that (1) the MOF has the authority to issue this approval regarding the special purpose fund, (2) the approval is valid and effective, and (3) it has no reason to believe that the MOF will revoke the approval. We cannot assure you, however, that a court would decide in a manner consistent with King & Wood's conclusions.

We cannot predict the amount of funds that will be available to the special purpose fund from CLIC's own operations to satisfy its obligations to its policyholders as they become due. CLIC's cash requirements and available cash resources will be affected by several factors which are subject to uncertainty, including prevailing interest rates and the returns on investment generated by CLIC's assets, as well as the claims, expenses and persistency experience with respect to CLIC's insurance policies. The cash resources available to CLIC will also depend in part on our profitability, which will affect the amount of our tax payments and hence the amount of refund contributed to the fund, the timing and amount of our dividend payments and the market prices of our shares and ADSs, which will affect the proceeds to CLIC from dispositions of our shares. If it is unable to satisfy its obligations to its policyholders from other sources, CLIC may seek, subject to our articles of association and applicable laws, to increase the amount of dividends we pay in order to satisfy its cash flow requirements. Any such increase in our dividend payments would reduce the funds available for reinvestment in our business. In addition, if we are unable to pay dividends in amounts sufficient to satisfy these requirements, CLIC may seek to sell its shareholdings in us or take other actions in order to satisfy these needs. The sale of these holdings or even the market perception of such a sale may materially and adversely affect the price of our shares.

***The transfer of policies to us by CLIC and/or the separation of assets between CLIC and us may be subject to challenge.***

We have been advised by our PRC legal counsel, King & Wood, that (1) the transferred policies have been legally and validly transferred to China Life and (2) following the restructuring, we will not have any continuing obligations to holders of the non-transferred policies who remain policyholders of CLIC and that there is no legal basis on which holders of the non-transferred policies can make a claim against China Life. We also have been advised by King & Wood that, although there is no specific law applicable to restructurings, these conclusions are supported by, among other things, the approval of the restructuring and various related matters by the State Council, the MOF and the CIRC; the support provided by the MOF with respect to the non-transferred policies as described above; and contract and other law. We cannot assure you that policyholders of CLIC, holders of transferred policies or other parties will not seek to challenge the transfer of the transferred policies or the separation of assets occurring as a consequence of the restructuring, or that a court would decide in a manner consistent with King & Wood's conclusions. If the transfer of policies to us or the separation of assets were challenged successfully, our financial condition and results of operations would likely be materially and adversely affected.

***We do not hold exclusive rights to the trademarks in the China Life name (in English and Chinese), the ball logos and other business related slogans and logos, and CLIC, which owns these trademarks, may take actions that would impair the benefits we derive from their use.***

We conduct our business under the China Life brand name, the ball logos and other business related slogans and logos. CLIC owns these trademarks and has registered them with the Trademark Office of the SAIC. CLIC has entered into a trademark license agreement with us, under which CLIC has agreed to grant us and our branches a royalty-free license to use these trademarks.

Although CLIC has undertaken in a non-competition agreement with us not to compete with us in China, without our prior consent in writing, in any life, accident and health insurance and any other businesses in China which may compete with our insurance business, CLIC, its subsidiaries and affiliates are permitted to use the brand name and logo in their own businesses, including life insurance business outside China and any other businesses they may enter into in the future within China, including property and casualty (other than businesses that compete with our accident and health businesses) and asset management businesses. In addition, they are not precluded from taking actions that may impair the value of the brand name, which could harm our business. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC . The China Life brand name and our reputation could be materially harmed if CLIC fails to make payments when due on outstanding policies retained by CLIC in the restructuring or new policies written by CLIC after the restructuring, if CLIC reduces the rates of return payable on policies retained by CLIC or if CLIC is placed into receivership.

***As our controlling shareholder, CLIC will be able to exert influence on our affairs and could cause us to make decisions or enter into transactions that may not be in your best interests.***

We are controlled by CLIC, whose interests may conflict with those of our other shareholders. As of the date of this annual report, CLIC holds approximately 68.37% of our share capital. As a result of these factors, CLIC, which is wholly-owned by the PRC government, will, so long as it holds the majority of our shares, effectively be able to control the composition of our board of directors and, through the board, exercise a significant influence over our management and policies. In addition, subject to our articles of association and applicable laws, CLIC may, so long as it holds the majority of our shares, effectively be able to determine the timing and amount of our dividend payments and approve increases or decreases of our share capital, the issuance of new securities, amendments of our articles of association, mergers and acquisitions and other major corporate transactions. CLIC may also be able to prevent us effectively from taking actions to enforce or exercise our rights under agreements to which we are a party, including the agreements we entered into with CLIC in connection with the restructuring. See Item 7. Major Shareholders and Related Party Transactions . As a majority shareholder, CLIC may be able to take these actions without your approval. In addition, CLIC's control could have the effect of deterring takeovers or delaying or preventing changes in control or changes in management that might be desirable to other shareholders.

***CLIC may direct business opportunities elsewhere.***

CLIC has other business interests, including the run-off of the insurance policies retained by it in the restructuring. Notwithstanding a general undertaking pursuant to a non-competition agreement with us not to compete with us in our principal areas of business in China, CLIC is permitted to sell riders to these retained policies and enter into other businesses, including life insurance businesses outside of China and property and casualty (other than businesses that compete with our accident and health businesses) and asset management businesses, both inside and outside of China. In 2006, we formed a property and casualty company with CLIC, in connection with which we granted a waiver to CLIC allowing it to engage in accident and short-term health businesses indirectly through the property and casualty company.





CLIC also may engage in insurance business in other regions outside of China in the future. Although it is required under the non-competition agreement to give us a right of first refusal over any business opportunities it develops in these areas, we may not be in a position to take advantage of these opportunities at that time, which could harm our business. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

In addition, while we provide policy administration and other services to CLIC for the policies retained by CLIC in the restructuring, and provide investment management services to CLIC through our asset management subsidiary, these agreements can be terminated with notice or upon expiration. If CLIC were to terminate its policy administration and asset management arrangements with us and our asset management subsidiary, respectively, our loss of fees could materially and adversely affect us.

### **Risks Relating to the People's Republic of China**

*China's economic, political and social conditions, as well as government policies, could affect our business.*

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including, without limitation:

the extent of government involvement;

its level of development;

its growth rate; and

its control of foreign exchange.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

According to data released by the National Bureau of Statistics of China, China's Gross Domestic Product, a key indicator of economic growth, was 6.7% in 2016, its slowest pace in 26 years. In an effort to bolster the economy, the Chinese government may take certain measures, including market-oriented financial reforms. Some of the measures taken by the Chinese government to improve China's economic performance may have a negative effect on our business. For example, our operating results and financial condition could be materially and adversely affected by government monetary policies and changes in interest rate policies, tax regulations and policies and regulations affecting the capital markets and the asset management industry. A slowdown in Chinese growth rates could also adversely affect us by impacting sales of our products, reducing our investment returns, or otherwise.



***The PRC legal system has inherent uncertainties that could limit the legal protections available to you.***

We are organized under the laws of China and are governed by our articles of association. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited precedential value. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

***Holders of H shares and ADSs generally are required to resolve disputes with us, our senior management and holders of our A shares only through arbitration in Hong Kong or China.***

In accordance with the rules applicable to Chinese overseas listed companies, our articles of association provide that, with certain limited exceptions, all disputes or claims based on our articles of association, PRC company law or other relevant laws or administrative rules, and concerning matters between holders of H shares and ADSs and holders of A shares, us, or our directors, supervisors, president, vice presidents or other senior officers, must be submitted for arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center. If an applicant chooses to have the dispute arbitrated at the Hong Kong International Arbitration Center, either party may request that the venue be changed to Shenzhen, a city in China near Hong Kong. The governing law for any such disputes or claims is Chinese law, unless Chinese law itself provides otherwise. Pursuant to an arrangement of mutual enforcement of arbitration awards between the PRC courts and the Hong Kong courts, Hong Kong arbitration awards are enforceable in China, subject to the satisfaction of certain legal requirements. However, due to the limited number of actions that have been brought in China by holders of shares issued by a Chinese company to enforce an arbitral award, we are uncertain as to the outcome of any action brought in China to enforce a Hong Kong arbitral award made in favor of holders of H shares and ADSs.

***The laws in China differ from the laws in the United States and may afford less protection to our minority shareholders.***

Although Chinese company law provides that shareholders of a Chinese company may, under certain circumstances, sue the company's directors, supervisors and senior management in the interests of the company, no detailed implementation rules or court interpretations have been issued in this regard. Also, class action lawsuits are generally uncommon in China. In addition, PRC company law imposes limited obligations on a controlling shareholder with respect to protection of the interests of minority shareholders, although overseas listed joint stock companies, such as ourselves, are required to adopt certain provisions in their articles of association that are designed to protect minority shareholder rights. These mandatory provisions provide, among other things, that the rights of any class of shares, including H shares, may not be varied without a resolution approved by holders of shares in the affected class holding no less than two-thirds of the shares of the affected class entitled to vote, and provide that in connection with a merger or division involving our company, a dissenting shareholder may require us to purchase the dissenters' shares at a fair price. Disputes arising from these protective provisions would likely have to be resolved by arbitration. See *Holders of H shares and ADSs generally are required to resolve disputes with us, our senior management and holders of our A shares only through arbitration in Hong Kong or China* .

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on U.S. or other foreign laws against us, our management and some of the experts named in the annual report.***

We are a company incorporated under the laws of China, and substantially all of our assets are located in China. In addition, most of our directors, supervisors, executive officers and some of the experts named in this annual report reside within China, and substantially all of the assets of these persons are located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our directors, supervisors or executive officers or some of the experts named in this annual report, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Our PRC legal counsel, King & Wood, has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. Our Hong Kong legal adviser, Latham & Watkins, has also advised us that Hong Kong has no statutory arrangement for the reciprocal enforcement of judgments with the United States although it may be possible for a civil action to be brought in Hong Kong based on a monetary judgment of the courts of the United States. As a result, recognition and enforcement in China or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter may be difficult or impossible. Furthermore, an original action may be brought in the PRC against us, our directors, supervisors, executive officers or the experts named in this annual report only if the actions are not required to be arbitrated by PRC law and our articles of association, and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with any such original action, a PRC court may award civil liability, including monetary damages.

***Holders of H shares may be subject to PRC taxation.***

Under current PRC tax laws, regulations and rulings, dividends paid by us to individual holders of H shares outside of the PRC are subject to PRC individual income tax at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaties between the home country of the individual holder of H shares and the PRC. When paying dividends to non-resident enterprise holders of H shares outside of the PRC, such dividends are subject to an enterprise income tax, which is currently levied at a rate of 10%. Such non-resident enterprise holders of H shares may be entitled to tax reductions or exemptions according to applicable tax treaties. In addition, to date, relevant tax authorities have not collected capital gains tax on the gains realized by individuals upon the sale or other disposition of H shares. If relevant tax authorities promulgate implementation rules on the taxation of capital gains realized by individuals upon the sale or other disposition of H shares, individual holders of H shares may be required to pay capital gains tax. See Item 10. Additional Information Taxation The People's Republic of China .

***Government control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our operations and financial results.***

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to allow us to make payments on declared dividends, if any, on our H shares, and payments of interest and principal on our debt held in foreign currencies.

Under China's existing foreign exchange regulations, we are able to pay dividends and interest and principal in foreign currencies without prior approval from the SAFE by complying with various procedural requirements. The Chinese government, however, may, at its discretion, restrict access in the future to foreign currencies for current account transactions. If this were to occur, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.



The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. From July 21, 2005 to April 7, 2017, the Renminbi appreciated by approximately 16.11% against the U.S. dollar. In 2014, the Renminbi depreciated by approximately 2.49% against the U.S. dollar. In 2015, the Renminbi depreciated by approximately 4.40% against the U.S. dollar. In 2016, the Renminbi depreciated by approximately 7.18% against the U.S. dollar. We recorded RMB 582 million (US\$ 84 million) in foreign exchange gains for the year ended December 31, 2016, resulting mainly from the increase of our assets held in foreign currencies and the depreciation of the Renminbi. Any future devaluation of the Renminbi may materially and adversely affect the value of, and any dividends payable on, our H shares in foreign currency terms. Our financial condition and results of operations also may be affected by changes in the value of certain currencies other than the Renminbi.

***Payment of dividends is subject to restrictions under Chinese law.***

Under Chinese law, dividends may be paid only out of distributable profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, ordinarily we will not pay any dividends in a year in which we do not have any distributable profits.

Payment of dividends by us is also regulated by the PRC insurance law. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Policy on Dividend Distributions .

## **ITEM 4. INFORMATION ON THE COMPANY**

### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

We were formed as a joint stock company pursuant to the PRC company law on June 30, 2003 under the corporate name of in connection with the restructuring.

#### **General Information**

Our principal executive offices are located at 16 Financial Street, Xicheng District, Beijing 100033, China. Our telephone number is (86-10) 6363-3333. Our website address is [www.e-chinalife.com](http://www.e-chinalife.com). The information on our website is not a part of this annual report. We have appointed CT Corporation System at 111 Eighth Avenue, New York, New York 10011 as our agent for service of process in the United States.

#### **Our Restructuring**

Upon the approval of the State Council and the CIRC, we were formed on June 30, 2003 as a joint stock company in connection with the restructuring by CLIC, our controlling shareholder. The restructuring was effected through a plan of restructuring, which was approved by the CIRC on August 21, 2003, and a restructuring agreement we entered into with CLIC on September 30, 2003, with retroactive effect to June 30, 2003, which we refer to in this annual report as the effective date. Pursuant to PRC law and the restructuring agreement, we enjoyed the rights and benefits and assumed the obligations and liabilities arising from the restructuring from and after the effective date.





In connection with the restructuring:

CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in a database attached to the restructuring agreement as an annex or (ii) having policy terms for group supplemental medical insurance (fund type), (2) stand-alone short-term policies (policies having a term of one year or less from the date of issuance) issued on or after June 10, 1999 and (3) all riders supplemental to the policies described in clauses (1) and (2) above, together with the applicable reinsurance contracts specified in an annex to the restructuring agreement. We refer to these policies in this annual report as the transferred policies . All other insurance policies were retained by CLIC. We refer to these policies as the non-transferred policies . We assumed all obligations and liabilities of CLIC under the transferred policies. CLIC continues to be responsible for its liabilities and obligations under the non-transferred policies following the effective date.

Cash, specified investment assets and various other assets were also transferred to us.

CLIC agreed not to, directly or indirectly through its subsidiaries and affiliates, participate, operate or engage in life, accident and health insurance businesses and any other business in China which may compete with our insurance business. CLIC also undertook (1) to refer to us any corporate business opportunity that falls within our business scope and which may directly or indirectly compete with our business and (2) to grant us a right of first refusal, on the same terms and conditions, to purchase any new business developed by CLIC. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

Substantially all of the management personnel and employees who were employed by CLIC in connection with the transferred assets and business were transferred to us. Some management and personnel remained with CLIC.

CLIC retained the trademarks used in our business, including the China Life name in English and Chinese and the ball logos, and granted us and our branches a royalty-free license to use these trademarks. CLIC and its subsidiaries and affiliates will be entitled to use these trademarks, but CLIC may not license or transfer these trademarks to any other third parties. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

CLIC's contracts with its agents and other intermediaries were transferred to us.

We entered into various agreements under which we provide policy administration services to CLIC for the non-transferred policies, manage CLIC's investment assets and lease office space from CLIC for our branch and field offices. See Item 7. Major Shareholders and Related Party Transactions .



In connection with the restructuring, CLIC established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. Under the administrative measures for the special purpose fund as amended in May 2012, the special purpose fund will be funded by renewal premiums paid on the non-transferred policies over time; tax rebates received by CLIC; proceeds from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by its subsidiaries and shareholding enterprises; proceeds from the disposition by CLIC of its shares in its subsidiaries and shareholding enterprises over time; cash income from the disposition of assets by CLIC; financial assets owned by CLIC; long-term equity investment held by CLIC; and funds injected by the MOF in the event of a deficiency in the special purpose fund. The special purpose fund is co-administered by CLIC and the MOF. The special purpose fund will be available to satisfy CLIC's operating expenses, including the payment of benefits and claims obligations arising from the non-transferred policies, as well as expenses incurred in operating the special purpose fund, including third-party management fees, professional fees and such other purposes as the management committee of the fund may agree, as well as capital expenses as approved by the MOF. A management committee of the special purpose fund comprised of four representatives from the MOF and three representatives from CLIC oversees the management of the fund, with specified material items subject to the approval of the MOF. The special purpose fund will be dissolved when all claims and benefits under the non-transferred policies have been paid, or sooner if the management committee so agrees.

The MOF's approval of the special purpose fund issued to CLIC provides that in the event there is any deficiency in the special purpose fund for so long as the fund is in existence as described above to meet any payment obligation arising out of the non-transferred policies, the MOF will provide support through the injection of funds to ensure the payments of benefits and claims to the policyholders of the non-transferred policies. We have been advised by our PRC legal counsel, King & Wood, that (1) the MOF has the authority to issue this approval regarding the special purpose fund, (2) the approval is valid and effective and (3) it has no reason to believe that the MOF will revoke the approval.

In accordance with generally applicable tax laws and regulations, CLIC, AMC and ourselves will file income tax returns and pay our respective income taxes as separate and independent taxpayers. In accordance with a circular issued by the MOF, a portion of the income tax payments made by CLIC and us during the period of January 1, 2003 to December 31, 2010 is required to be rebated to CLIC. All of the income tax payments made by AMC may also be rebated to CLIC, if the current shareholding structure of AMC remains unchanged. In 2011 CLIC applied for the extension of the period during which the income tax payments will be rebated, but no substantive progress had been made as of the date of this annual report.

We have been advised by our PRC legal counsel, King & Wood, that following the restructuring we would not have any continuing obligations to holders of the non-transferred policies and that there is no legal basis on which holders of the non-transferred policies can make a claim against China Life. King & Wood based its conclusion on, among other things, the following factors: (1) after the restructuring, China Life was established as a separate legal entity and China Life's assets and liabilities should be regarded as distinct and separate from those of CLIC; (2) there is no contractual relationship, direct or indirect, between the holders of the non-transferred policies and China Life; (3) the restructuring (including the transfer of the transferred policies to China Life) has been approved by the CIRC and has been conducted without infringing upon the rights of the holders of non-transferred policies; (4) the arrangements made under the restructuring agreement, in particular the MOF's support as described above, are expected to enable CLIC to satisfy its obligations under the non-transferred policies; and (5) PRC regulatory authorities have no legal power to direct China Life to assume CLIC's obligations under the non-transferred policies or to indemnify the holders of the non-transferred policies.

See Item 3. Key Information Risk Factors Risks Relating to the Restructuring .



## **Developments After Restructuring**

On November 23, 2003, we established an asset management company, AMC, with CLIC, in connection with the restructuring. AMC manages our investment assets and, separately, substantially all of those of CLIC. On December 30, 2006, we established a property and casualty company, CLPCIC, with CLIC. On January 15, 2007, we established a pension insurance company, China Life Pension, with CLIC and AMC. On September 3, 2013, we established a wholly owned subsidiary, China Life (Suzhou) Pension and Retirement Investment Company Limited, or Suzhou Pension Company. The registered capital of Suzhou Pension Company is RMB 1,060 million.

In December 2003, we successfully completed our initial public offering of H shares, including H shares in the form of American depositary shares, or ADSs, and raised approximately RMB 24,707 million in aggregate net proceeds. Upon completion of our initial public offering, our H shares became listed on the Hong Kong Stock Exchange and ADSs each representing 40 of our H shares became listed on the New York Stock Exchange. The ratio of ADSs to H shares was reduced from 40 H shares to 15 H shares on December 29, 2006 and was further reduced from 15 H shares to 5 H shares on May 26, 2015.

In December 2006, we issued 1,500,000,000 new ordinary domestic shares through public offering on the SSE at the offering price of RMB 18.88 per share, raising RMB 28,320 million in aggregate gross proceeds. The A shares have been listed on the SSE since January 9, 2007. Prior to the offering, CLIC held 19,323,530,000 ordinary domestic shares, or CLIC A shares, which have been registered with the China Securities Depository and Clearing Corporation Limited as circulative A shares with restrictive trading following the A share offering. CLIC has undertaken that for a period of 36 months commencing on January 9, 2007 it will not transfer or put on trust the CLIC A shares held by it or allow such CLIC A shares to be repurchased by China Life. On January 11, 2010, 19,323,530,000 CLIC A shares were released from trading restrictions. Of this amount, 150,000,000 shares had remained frozen in accordance with relevant Chinese regulations until December 2010.

In July 2015, we issued Core Tier 2 Capital Securities of US\$ 1,280 million to qualified investors who meet applicable regulatory requirements at an initial distribution rate of 4.00%.

We incurred capital expenditures of RMB 5,892 million (US\$ 849 million), RMB 3,615 million and RMB 4,472 million in 2016, 2015 and 2014, respectively. These capital expenditures mainly comprised of the addition of properties for our own use and electronic equipment.

## **B. BUSINESS OVERVIEW**

We are the leading life insurance company in China. We provide a broad range of insurance products, including individual and group life insurance, health insurance and accident insurance products. We had nearly 246 million insurance policies in force as of December 31, 2016, including individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies. As of December 31, 2016, the average guaranteed rate of return for all of our insurance policies in force was 2.58%. For the financial year ended December 31, 2016, our lapse rate was approximately 3.54%. The policy persistency rates, which measure the ratio of the insurance policies that are still effective after a certain period, were 90.20% for 14 months after issuance and 85.90% for 26 months after issuance.

Effective January 1, 2014, we realigned our previously reported individual life insurance, group life insurance, short term insurance, supplementary major medical insurance and other segments into four newly identified segments, namely life insurance, health insurance, accident insurance and other. Our management has conducted its analysis and evaluation of our operating results based on the new reporting segments. In connection with this realignment, segment operating results for the fiscal year ended December 31, 2013 have been revised to conform to current year segment operating results presentation. For a detailed discussion, see our consolidated financial statements included elsewhere

in this annual report.

The information below is organized in accordance with our identified segments.

## Life Insurance

We offer life insurance and annuity products to individuals and groups. We market our individual life insurance products primarily through a distribution force comprised of approximately 1,495,000 exclusive agents operating in approximately 17,011 field offices throughout China, as well as other non-dedicated agencies located at branch offices of banks, banking operations of post offices and other organizations. We offer group life insurance and annuity products to the employees of companies and institutions through approximately 86,000 direct sales representatives, as well as insurance agencies and insurance brokerage companies. Gross written premiums generated by our life insurance products, totaled RMB 361,905 million (US\$ 52,125 million) for the year ended December 31, 2016, RMB 308,169 million for the year ended December 31, 2015, and RMB 285,619 million for the year ended December 31, 2014, constituting 84.07%, 84.67% and 86.29% of our total gross written premiums for those periods. The figure for 2016 represented a 17.44% increase from 2015.

The following table sets forth selected financial and other data regarding our life insurance business as of the dates or for the periods indicated.

	As of or for the year ended				Compound annual growth rate (2014-2016)
	2014	December 31,		2016	
	RMB	2015	2016	2016	
		RMB	RMB	US\$	
		<i>(in millions, except as otherwise indicated)</i>			
Gross written premiums	285,619	308,169	361,905	52,125	12.57%
Liabilities of insurance contracts	1,558,714	1,652,469	1,762,363	253,833	6.33%
Liabilities of investment contracts	63,710	74,046	183,773	26,469	69.84%

## Products

We offer a wide variety of life insurance and annuity products to individuals, providing a wide range of coverage for the whole length of a policyholder's life. Our individual life insurance and annuity products consist of whole life and term life insurance, endowment insurance, annuities and universal life insurance. We also offer group annuity products and group whole life and term life insurance products to enterprises and institutions. We bundle these products to serve as part of our group customers' overall employee benefit plans. We also market each group product as an independent product. We believe we are the market leader in the development of group annuity products.

We offer both non-participating and participating products. There were approximately 190 million non-participating policies and 56.2 million participating policies as of December 31, 2016, among which approximately 85.8 million non-participating policies and 39.8 million participating policies were sold to individuals.

The following table sets forth selected financial information regarding our life insurance and annuity products.

	For the year ended December 31,				Compound
	2014	2015	2016	2016	annual
	RMB	RMB	RMB	US\$	growth rate
	(in millions, except as otherwise indicated)				
<b>Gross written premiums</b>					
Whole life and term life insurance	32,638	31,595	33,395	4,810	1.15%
Endowment	217,662	177,871	188,415	27,137	(6.96%)
Annuities	35,319	98,703	140,095	20,178	99.16%

### ***Whole Life and Term Life Insurance***

#### *Non-participating whole life and term life insurance*

We offer non-participating whole life and term life insurance products.

Non-participating whole life insurance products provide a guaranteed benefit, pre-determined by the contract, upon the death of the insured, in return for the periodic payment of fixed premiums over a pre-determined period. Premium payments may be required for the length of the contract period, to a specified age or for a specified period, and are typically level throughout the period.

Non-participating term life insurance products provide a guaranteed benefit upon the death of the insured within a specified time period in return for the periodic payment of fixed premiums. Specified coverage periods generally range from 5 to 30 years or expire at specified ages. Death benefits may be level over the period or increasing. Premiums are typically at a level amount for the coverage period. Term life insurance products are sometimes referred to as pure protection products, in that there are normally little or no savings or investment elements. Unlike endowment products, term life insurance policies expire without value at the end of the coverage period if the insured person is still alive.

#### *Participating whole life insurance*

We also offer participating whole life insurance products, which are traditional whole life insurance policies that also provide a participation feature in the form of dividends. The policyholder is entitled to share a portion of the distributable earnings from participating products, as determined by us based on formulas prescribed by the CIRC. Under guidelines issued by the CIRC, the dividends must be no less than 70% of the distributable earnings from participating products. Policyholders may receive dividends in cash or apply them to increase death benefits or cash values available upon surrender.

We offer participating whole life insurance products only to individual customers.

### ***Endowment***

#### *Non-participating endowment products*

Non-participating endowment products provide to the insured various guaranteed benefits if the insured survives specified maturity dates or periods stated in the policy, and provide to a beneficiary designated by the insured



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guaranteed benefits upon the death of the insured within the coverage period, in return for the periodic payment of premiums. Specified coverage periods generally range from 5 to 30 years or end at specified ages. Premiums are typically at a level amount for the coverage period.

### *Participating endowment products*

We also offer participating endowment products, which are endowment policies that also provide a participation feature in the form of dividends. Policyholders are entitled to share a portion of the distributable earnings from participating products, as determined by us based on formulas prescribed by the CIRC. Under guidelines issued by the CIRC, the dividends must be no less than 70% of the distributable earnings from participating products. Policyholders may receive dividends in cash or apply them to increase benefits or cash values available upon surrender. Participating endowment products are among the most popular individual life insurance products in China.

China Life Fu Lu Xin Zun Participating Endowment and China Life Xin Fu Yi Sheng Participating Endowment generated the most income for participating endowment products in 2016. China Life Fu Lu Xin Zun Participating Endowment had RMB 21,018 million (US\$ 3,027 million) of net premiums in 2016, representing 5.81% of the net premiums of our life insurance business. China Life Xin Fu Yi Sheng Participating Endowment had RMB 20,999 million (US\$ 3,024 million) of net premiums in 2016, representing 5.81% of the net premiums of our life insurance business. The net premiums earned from our participating endowment products increased by RMB 9,048 million (US\$ 1,303 million), or 7.33%, to RMB 132,558 million (US\$ 19,092 million) in 2016 from RMB 123,510 million in 2015.

We offer endowment products only to individual customers.

### *Annuities*

Annuities are used for both asset accumulation and asset distribution needs. Annuitants pay premiums into our accounts, and receive guaranteed level payments during the payoff period specified in the contracts. We offer both non-participating and participating annuities. For non-participating annuity products, risks associated with the investments are borne entirely by us. A significant portion of our non-participating annuity products imposes charges upon an early surrender or withdrawal of the contract.

Participating annuity products are annuities that provide a participation feature in the form of dividends. The dividends are determined by us in the same manner as our life insurance policies. Annuitants may receive dividends in cash or apply them to increase annuity benefits or reduce the premiums or deposits required to maintain the contract in force. Like non-participating annuities, a significant portion of our participating annuity products imposes charges upon an early surrender or withdrawal of the contract.

In our non-participating group annuities, interest on an annuitant's deposits is credited to each participating employee's personal account.

We also offer participating group annuities. In our participating group annuities, interest on an annuitant's deposits is either credited to the participating employee's personal account or credited to the participating employee's personal account as well as the employer's group account. The annuitant is entitled to share a portion of our distributable earnings derived from our participating products, as determined by us based on formulas prescribed by the CIRC, in excess of the rate we guarantee to participating employees.

### *Universal Life Products*

Universal life products are life insurance policies with flexible premium and benefit amounts. For each universal life policy, we establish a separate account and determine the interest credit rate, mortality and expense charges specifically for such account. The benefits of universal life products are linked to the account value of each separate account.



## ***Marketing and Distribution***

### ***Individual***

We have historically sold most of our individual life insurance and annuity products to the mass market and will continue to actively serve this market. However, we believe our core individual customer base will evolve as China's economy develops. We will seek to capitalize on the market opportunities in the growing affluent segment of China's population by focusing our marketing efforts on large and medium-sized cities with an aim to attract more medium- and high-end customers, as we believe that the demand for life insurance and annuity products in these areas is greater. In addition, we have been implementing a customer segmentation sales approach which targets individuals of various income and education levels with different products. Under this sales approach, individuals in different periods of their lives are marketed with different life insurance and annuity products, with these products in many cases supplemented by our individual accident and health products.

We distribute our individual life and annuity products nationwide through multiple channels. Our primary distribution system is comprised of approximately 1,495,000 exclusive agents operating in approximately 17,011 field offices throughout China. In addition, we are implementing our customer-oriented market segmentation sales initiatives to all exclusive agents nationwide. While continuing to invest in our exclusive agent force, we have also expanded into other distribution channels, primarily non-dedicated agencies located in approximately 49,000 outlets of commercial banks and banking operations of post offices, to diversify our distribution channels and to achieve higher growth. See [Distribution Channels](#).

### ***Group***

We target our group life insurance and annuity products to large institutional customers in China, including branches of foreign companies, which we believe have a greater awareness of and need for group life insurance and annuity products. We have long-term customer relationships with many of China's largest companies and institutions. We provide large group customers with products having flexible fee and dividend structures, as well as convenient customer service. While continuing to focus on large institutional clients, we also target small- to medium-sized companies to supplement our growth and to increase our profits.

We market our group life insurance and annuity products primarily through our direct sales representatives. We also market our group life insurance and annuity products through commercial banks, banking operations of post offices, insurance agency companies and insurance brokerage companies. See [Distribution Channels](#).

### **Health Insurance**

We offer a broad array of health insurance products and services to both individuals and groups, including disease-specific insurance, medical expense insurance and defined benefit insurance. Our health insurance gross written premiums totaled RMB 54,010 million (US\$ 7,779 million) for the year ended December 31, 2016, RMB 42,041 million for the year ended December 31, 2015 and RMB 33,192 million for the year ended December 31, 2014, constituting 12.55%, 11.55% and 10.03% of our total gross written premiums for those periods. The figure for 2016 represented a 28.47% increase from 2015.

Our health insurance business shares our nationwide life insurance sales force and distribution network of exclusive agents. Our policy review and claim adjustment processes are facilitated through a team of supporting personnel with medical training.

The following table sets forth selected financial and other data regarding our health insurance as of the dates or for the periods indicated. The financial results of both our long-term health insurance and short-term health insurance are reflected in the following table.

	As of or for the year ended				Compound annual growth rate (2014-2016)
	2014	December 31,		2016	
	RMB	RMB	RMB	US\$	
	<i>(in millions, except as otherwise indicated)</i>				
Gross written premiums	33,192	42,041	54,010	7,779	27.56%
Liabilities of insurance contracts	38,872	57,024	77,837	11,211	41.51%
Liabilities of investment contracts	8,565	10,060	11,933	1,719	18.04%

### **Products**

We offer health insurance products to both individuals and groups. We classify our health insurance products as short-term products, having policy terms of less than or up to one year, and long-term products, having policy terms longer than one year. We offer both short-term and long-term defined health benefit plans, medical expense reimbursement plans and disease-specific plans to individuals and groups.

### **Defined health benefit plans**

These plans provide a fixed payment based on the number of days of hospitalization for specific diseases or surgical operation. Policyholders either pay premiums in a single payment or on a periodic basis.

### **Medical expense reimbursement plans**

These plans provide for the reimbursement of a portion of the participant's outpatient or hospitalization treatment fees and expenses. Policyholders pay premiums either in a single payment or on a periodic basis or, for certain group medical expense reimbursement plans, irregularly as determined by the policyholder.

We also commenced our supplementary major medical insurance business in 2013. As part of the Chinese government's overall medical insurance scheme, supplementary major medical insurance reimburses policyholders for a specified percentage of their high medical expenses caused by major illnesses which are in excess of the maximum amounts covered by the basic social medical insurance and will otherwise be borne by the individuals. The Chinese government launched pilot supplementary major medical insurance programs beginning in 2013, and as of the date of this annual report, the Chinese government has fully implemented supplementary major medical insurance programs in China. Local governments use a portion of the basic medical insurance funds to purchase supplementary major medical insurance service from qualified insurance companies through a government tender. Supplementary major medical insurance offers protection to all the policyholders covered by the basic social medical insurance in the pilot areas and policyholders do not need to pay any extra premium for the supplementary major medical insurance. In 2013, we won the bids for 76 supplementary major medical insurance projects in areas including Liaoning province and Jilin province. In 2014, we won the bids for 91 supplementary major medical insurance projects in areas including Henan province and Jiangxi province. In 2015, we won the bids for 66 supplementary major medical insurance

projects. In 2016, we won the bids for 33 supplementary major medical insurance projects.

***Disease-specific plans***

These plans provide a fixed payment benefit for various diseases. Premium payments for disease-specific plans are paid either in a single payment or on a periodic basis.

***Marketing and Distribution***

We offer our health insurance products to both individuals and groups through the same distribution channels we use to market our life insurance products. We market our individual health insurance products through our exclusive agent sales force. We market our group health insurance products primarily through our direct sales representatives. See Distribution Channels .

We use our individual and group product distribution channels to market our health products either as primary products, as riders or as supplementary products packaged with our life, annuity or accident insurance products. We conduct extensive health insurance related training programs for our direct sales representatives and our exclusive agents.

**Accident Insurance**

We are the leading accident insurance provider in China. Our accident insurance gross written premiums totaled RMB 14,583 million (US\$ 2,100 million) for the year ended December 31, 2016, RMB 13,761 million for the year ended December 31, 2015 and RMB 12,199 million for the year ended December 31, 2014, constituting 3.39%, 3.78% and 3.69% of our total gross written premiums for those periods. The figure for 2016 represented a 5.97% increase from 2015.

The following table sets forth selected financial and other data regarding our accident insurance as of the dates or for the periods indicated. The financial results of both our long-term accident insurance and short-term accident insurance are reflected in the following table.

	As of or for the year ended				Compound annual growth rate (2014-2016)
	2014 RMB	2015 RMB	2016 RMB	2016 US\$	
	December 31,				
	(in millions, except as otherwise indicated)				
Gross written premiums	12,199	13,761	14,583	2,100	9.34%
Liabilities of insurance contracts	5,860	6,492	7,786	1,121	15.27%

***Products***

We offer a broad array of accident insurance products to both individuals and groups.

***Individual accident insurance***

Individual accident insurance products provide a benefit in the event of death or disability of the insured as a result of an accident, or a reimbursement of medical expenses to the insured in connection with an accident. Typically, a death benefit is paid if the insured dies as a result of the accident within 180 days of the accident, and a disability benefit is paid if the insured is disabled, with the benefit depending on the extent of the disability. If the insured receives medical treatment at a medical institution approved by us as a result of an accident, individual accident insurance

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products also may provide coverage for medical expenses. We offer a broad array of individual accident insurance products, such as insurance for students and infants against death and disability resulting from accidental injury and comprehensive coverage against accidental injury. We also offer products to individuals requiring special protection, such as accidental death and disability insurance for commercial air travel passengers and automobile passengers and drivers.



### ***Group accident insurance***

We offer a number of group accident insurance products and services to businesses, government agencies and other organizations of various sizes. We also offer group accident products targeted at specific groups, such as small-value group accident injury insurance to low-income people in rural areas.

### ***Marketing and Distribution***

We market our individual accident insurance products through our direct sales force and our exclusive agent sales force, as well as intermediaries, such as non-dedicated agencies located at outlets of commercial banks, banking operations of post offices, savings cooperatives, travel agencies, hotels and airline sales counters and insurance agency and insurance brokerage companies. We market our group accident insurance products primarily through our direct sales representatives and the same intermediaries we use to sell our individual accident products. See [Distribution Channels](#) .

We use our individual and group product distribution channels to market our accident products either as primary products, as riders or as supplementary products packaged with our life, annuity or health products. Our direct sales representatives market our individual accident products to employees of our institutional customers.

### **Product Development**

In 2016, in line with our general development strategy, we developed and introduced 34 new products, including 24 long-term insurance products consisting of nine life insurance products, five annuity products, and ten health insurance products; and ten short-term insurance products consisting of one life insurance product, one accident insurance products and eight health insurance products.

With respect to long-term insurance products, we developed and introduced, among others:

for the individual insurance distribution channel, China Life Xin Fu Nian Nian Insurance Package, which accelerates payment of survival benefits together with early refunding, and through joint sales with Xin Account (diamond edition), saw very good sales results, which supported the growth of our business scale; China Life Xin Fu Yi Sheng Endowment (participating), which features earlier refunding and exemption of accidental injury premiums for policyholders; Kang Ning Universal product package, which targets adult customers in large and medium cities, and provides protections in relation to health, pension and accidents; China Life Luck series, which, with whole life insurance as the underlying product, are supplemented with several protection-based additional insurance products and meet the diverse needs of customers for protection.

for the bancassurance distribution channel, China Life Xin Fu Bao product package, which, by being offered in connection with China Life Xin Yuan Annuity (universal) products, further improved the competitiveness of the product package and effectively promoted the business through the bancassurance distribution channel.

for the group distribution channel, China Life Kang Yuan Kang Hui Group Critical Illness Insurance Package, our first critical illness product accepting individual payment in the group distribution channel, which meets the individualized needs of employees in enterprises; and in response to the preferential individual income tax treatment for purchasing commercial health insurance, China Life Health Insurance Products Qualified for Preferential Individual Income Tax Treatment (universal) Type A/B (2016 edition) which meets CIRC requirements for health insurance products to qualify for such preferential treatment.

for the telephone distribution channel, China Life Xin Fu Jin Sheng Endowment (participating), a participating product with fixed refund exclusively for the telephone distribution channel; and China Life Hong Kang (exclusive edition) Insurance Package, which, by expanding insurance liabilities and coverage of diseases, further improves the competitiveness of our product range.

With respect to short-term insurance products, we developed China Life Kang Yue Medical Insurance (Type A/B), which provides coverage for hospitalization and special out-patient services. This product is competitive in the market because its coverage is broader than the coverage of basic social medical insurance.

### **Distribution Channels**

We believe we have the largest distribution force with the most extensive geographic reach compared with any of our competitors. Our distribution network reaches almost every county in China. Throughout China, we have approximately 1,495,000 exclusive agents operating in approximately 17,011 field offices for our individual products and approximately 86,000 direct sales representatives for group products. We have a multi-channel distribution network selling individual and group insurance products through intermediaries, primarily non-dedicated agencies located in approximately 49,000 outlets of commercial banks and banking operations of post offices as of the end of 2016. Commission rates vary by product, based on such factors as the payment terms and period over which the premiums are paid for the product, as well as CIRC regulations. We support our agents and representatives through training programs, sales materials and information technology systems.

### ***Exclusive agent force***

Our exclusive agent force of approximately 1,495,000 agents is the primary distribution channel for our individual life, health and accident insurance products.

The following table sets forth information relating to our exclusive agent force as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Number of exclusive agents (approximately)	743,000	979,000	1,495,000
Number of field offices	17,367	17,125	17,011

Our exclusive agent force is among our most valuable assets, allowing us to more effectively control our distribution and build and maintain long-term relationships with our individual customers. The number of our exclusive agents increased from 979,000 as of the end of 2015 to 1,495,000 as of the end of 2016. During 2016, we attracted more new qualified agents by expanding our recruitment program, making further efforts in training new qualified agents and strengthening sales support. At the same time, we have continued carrying out performance reviews in 2016, which have led to the departure of a number of exclusive agents with lower productivity. In addition, in August 2015, the CIRC cancelled the qualification certificates requirements for the individual insurance agents, which helped to facilitate our recruitment process. However, we still adhere to our own standards for recruitment to ensure the quality and productivity of our exclusive agent force. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries and Item 3. Key Information Risk Factors Risks Relating to Our business Our growth is dependent on our ability to attract and retain productive agents. We believe that our customers and prospective customers prefer the personal approach of our exclusive agents and, therefore, we believe our exclusive agent force will continue to serve as our core distribution channel.

We also continued the development of a special sales force targeting orphan policies (policies which were serviced by former exclusive agents who have since left the company) to improve our service for these policies.

We supervise and provide training to our exclusive agents through more than 1,700 full-time trainers and 73,000 part time trainers. We set product management and customer service standards, and have developed risk warning and credit rating systems, which we require all of our field offices and agents to meet, and conduct field tests with a view to ensuring quality. We also have an extensive training program.

We compensate our exclusive agent force through a system of commissions and bonuses to reward performance. Our agents are compensated based on a commission rate that generally decreases over the premium period. For short-term insurance products, our exclusive agents are generally compensated with fixed agent fees. We provide group annuities, group commercial supplemental pension insurance, group life and medical insurance for our exclusive agents. We motivate our agents by rewarding them with performance-based bonuses and by organizing sales-related competitions among different field offices and sales units. We also try to increase the loyalty of our exclusive agents through other methods, such as through participation in sales conferences.

We believe we have the largest exclusive agent sales force in China. We intend to improve the quality and productivity of our individual exclusive agent force and reduce the attrition rate of our agents by taking the following actions:

improving the overall productivity of our exclusive agents by implementing our market segmentation sales approach, managing, supporting and incentivizing the exclusive agents through different levels, and providing standardized sales services to our customers;

motivating our exclusive agents with an improved performance-based evaluation and compensation scheme;

building a more professional exclusive agent force by improving our education and training programs and enhancing our training efforts and increasing the number of qualified exclusive agents;

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improving the quality of our exclusive agent force and reducing turnover by expanding our recruitment program and strengthening the cultivation, training and performance support for our new exclusive agents; and

improving the efficiency of our exclusive agents by providing sales support, including establishing a customer service platform and improving and expanding the China Life E-Home sales support system nationwide to further enhance their marketing, time management and customer service capabilities.

### ***Group distribution channel***

Our group distribution channel is comprised of our direct sales force and intermediaries.

### ***Direct sales force***

Our direct sales force, which consists of approximately 86,000 direct sales representatives, is our primary distribution system for our group life insurance and annuities, group accident insurance and group health insurance products, as well as our individual accident insurance and individual short-term health insurance products. The number of our direct sales representatives increased rapidly from 45,000 as of the end of 2015 to 86,000 as of the end of 2016. During 2016, we attracted more direct sales representatives by strengthening our recruitment program and making active efforts in recruiting and training direct sales representatives.

We believe our direct sales force allows us to more effectively control our distribution and build and maintain long-term relationships with our group customers and, therefore, will continue to serve as our primary distribution system for our group products. We believe maintaining our leading position in the group insurance market depends on a professional and qualified direct sales force, and we have devoted substantial resources to the training and supervision of our direct sales force in recent years. We set product management and customer service standards which we require all of our branch offices and direct sales representatives to meet, and conduct field tests to centralize quality control and management. We also have an extensive training program.

We motivate our direct sales representatives by rewarding them with performance-based bonuses and by organizing sales and services-related competitions among different branch offices and sales units.

### ***Intermediaries***

We also offer individual and group products through intermediaries.

We market group products through dedicated insurance agencies and insurance brokerage companies. Dedicated insurance agencies and insurance brokerage companies work with companies primarily to select group insurance providers and group products and services in return for commission fees. Currently, the market of dedicated insurance agencies and insurance brokerage companies in China generally remains underdeveloped. However, we expect that the dedicated insurance agencies and insurance brokerage companies will play a more important role in sales of our group products in the future.

We also sell short-term insurance products through other non-dedicated agencies. Currently, we have non-dedicated agencies operating at outlets of travel agencies, commercial banks, credit cooperatives, small loan companies and airline sales counters. We expect non-dedicated agencies to become an increasingly important distribution channel for individual products.

### ***Bancassurance channel***

We have bancassurance arrangements with major commercial banks and banking operations of post offices in China, and currently generate a significant portion of our total sales through bancassurance. Our distribution channels are primarily comprised of non-dedicated agencies located in approximately 49,000 outlets of commercial banks and banking operations of post offices. We will continue to dedicate substantial resources to develop our bancassurance business, with a focus on key cities. We have established strategic alliances with many banks. We intend to improve the attractiveness of our products by providing new products and all-around services to each major bank and providing training and integrated systems support to our banking partners.



**Other distribution channels**

We also sell individual products through other newly developed distribution channels including telephone sales and internet-based sales.

The major products sold through our telephone sales channel are individual insurance and health insurance products. As a new sales channel developed in recent years, the sales generated by our telephone sales channel have been rapidly increasing and we believe that its growth will continue.

The number of customers and sales volume of our internet-based sales channel have been steadily increasing over the past several years due to the improvement of the process for internet-based sales business. We also sell products through the internet-based sales platforms of insurance brokerage companies, insurance agencies and other qualified third-party websites.

**Gross written premiums attributable to each distribution channel**

The following table sets forth gross written premiums attributable to each distribution channel, as of the dates indicated.

	<b>For the year ended December 31</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<i>(in millions)</i>			
<b>Exclusive agent force</b>	205,417	225,957	282,136	40,636
First-year business of long-term insurance	34,455	47,974	74,813	10,775
Single	335	495	283	41
First-year regular	34,120	47,479	74,530	10,735
Renewal business	165,131	171,632	199,826	28,781
Short-term insurance business	5,831	6,351	7,497	1,080
<b>Group distribution channel</b>	17,440	20,107	24,915	3,589
First-year business of long-term insurance	2,989	3,571	5,430	782
Single	2,878	3,372	4,571	658
First-year regular	111	199	859	124
Renewal business	506	553	703	101
Short-term insurance business	13,945	15,983	18,782	2,705
<b>Bancassurance channel</b>	99,825	106,028	108,256	15,592
First-year business of long-term insurance	77,881	87,222	85,882	12,370
Single	65,918	73,508	68,047	9,801
First-year regular	11,963	13,714	17,835	2,569
Renewal business	21,815	18,558	21,813	3,142
Short-term insurance business	129	248	561	81
<b>Other distribution channels</b>	8,328	11,879	15,191	2,188
First-year business of long-term insurance	1,262	1,209	811	117
Single	889	701	90	13
First-year regular	373	508	721	104
Renewal business	638	864	1,160	167
Short-term insurance business	6,428	9,806	13,220	1,904

<b>Total</b>	<b>331,010</b>	<b>363,971</b>	<b>430,498</b>	<b>62,005</b>
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## Competition

Our nearest competitors are Ping An Life, New China Life and China Pacific Life.

In the life insurance market, Ping An Life, New China Life, China Pacific Life and we collectively represented 48% of total life insurance premiums in 2015. We primarily compete based on the nationwide reach of our sales network, the largest distribution force and the level of services we provide, as well as our strong brand name.

In the accident insurance market, Ping An Life, New China Life, China Pacific Life and we collectively represented 63% of total accident premiums in 2015. We primarily compete based on the nationwide reach of our sales network and the level of services we provide and our strong brand name, as well as our cooperative arrangements with other companies and institutions.

In the health insurance market, Ping An Life, New China Life, China Pacific Life and we collectively represented 51% of total health premiums in 2015. We primarily compete based on the nationwide reach of our sales network, the level of services we provide, our multi-layered managed care scheme and systems of policy review and claim management, as well as our strong brand name.

The following table sets forth market share information for the year ended December 31, 2015, the most recent year for which official market information for separate business segments is available, in all segments of the life insurance market in which we do business.

	Life premiums market share	Accident premiums market share	Health premiums market share	Total premiums market share
<b>China Life</b>	23%	32%	20%	23%
Ping An Life Insurance Company of China, Ltd. <sup>(1)</sup>	12%	16%	18%	13%
China Pacific Life Insurance Co. Ltd.	7%	12%	6%	7%
New China Life Insurance Co. Ltd.	7%	3%	8%	7%
Tai Kang Life Insurance Co. Ltd.	5%	3%	3%	5%
Others <sup>(2)</sup>	46%	34%	45%	45%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- (1) For purposes of this annual report, the statistics for Ping An Life Insurance Company of China, Ltd. do not include those of Ping An Health Insurance Company of China, Ltd. and Ping An Annuity Insurance Company of China, Ltd.
- (2) Others include: PICC Life Insurance Co., Ltd., PICC Health Insurance Co., Ltd., Taiping Life Insurance Co. Ltd., Taiping Pension Co. Ltd., Minsheng Life Insurance Co., Ltd., CIPC Allianz Health Insurance Co., Ltd., Ping An Health Insurance Company of China, Ltd., Ping An Annuity Insurance Company of China, Ltd., Sunshine Life

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Insurance Corporation Limited, Huatai Life Insurance Co., Ltd., Tianan Life Insurance Co. Ltd., Funde Sino Life Insurance Co., Ltd., An Bang Life Insurance Co., Ltd., An Bang Pension Insurance Co., Ltd., Union Life Insurance Co., Ltd., Greatwall Life Insurance Co., Ltd., ABC Life Insurance Co., Ltd., Kunlun Health Insurance Co., Ltd., Hexie Health Insurance Co., Ltd., June Life Insurance Co., Ltd., Huaxia Life Insurance Co., Ltd., Sinatay Life Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Guohua Life Insurance Co., Ltd., Happy Life Insurance Co., Ltd., Aeon Life Insurance Co., Ltd., China Post Life Insurance Co., Ltd., Zhongrong Life Insurance Co., Ltd., Lian Life Insurance Co., Ltd., Sino-Conflux Insurance Company, , Qian Hai Life Insurance Co., Ltd., Soochow Life Insurance Co., Ltd., Hongkang Life Insurance Co., Ltd., Pearl River Life Insurance Co., Ltd., Jixiang Life Insurance Company Limited, Bohai Life Insurance Corporation Limited, Guolian Insurance Co., Ltd, Shanghai Life Insurance Company Limited, Manulife-Sinochem Life Insurance Co. Ltd., CCB Life Insurance Co. Ltd., Allianz China Life Insurance Co., Ltd., ICBC-AXA Assurance Co., LTD., BoComm Life Insurance Co., Ltd., Citic-Prudential Life Insurance Co., Ltd., Generali China Life Insurance Co. Ltd., Sun Life Everbright Life Insurance Co. Ltd., ING-BOB Life Insurance Co., Ltd., Founder Meiji Yasuda Life Insurance Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., Aegon THTF Life Insurance Co., Ltd., CIGNA CMB Life Insurance Co., Ltd., Nissay-Greatwall Life Insurance Co., Ltd, Heng An Standard Life Insurance Co., Ltd., Skandia-BSM Life Insurance Co., Ltd., Sino-US United MetLife Insurance Company Ltd., Cathay Lujiazui Life Insurance Co., Ltd., BOC Samsung Life Insurance Co., Ltd., Sino-French Life Insurance Co., Ltd., Evergrand Life Assurance Co., Ltd., King Dragon Life Insurance Co., Ltd., HSBC Life Insurance Co., Ltd., Shin Kong HNA Life Insurance Co., Ltd., Pramerica Fosun Life Insurance Co., Ltd., Sino-korea Life Insurance Co., Ltd., ERGO China Life Insurance Co., Ltd. and American International Assurance Co., Ltd. (China).

*Source: China Insurance Yearbook 2016*

We face competition not only from domestic life insurance companies, but also from non-life insurance companies and foreign-invested life insurers. There were 71 licensed life insurance companies in China as of December 31, 2014, 75 as of December 31, 2015 and 77 as of December 31, 2016. Property and casualty insurers were allowed to sell accident and short-term health insurance products with regulatory approval starting from January 2003, which we believe will lead to greater competition in the accident and health insurance sectors, especially in the group accident and group health insurance products. In addition, we believe that elimination of geographic limitations on foreign-invested insurance companies will further increase competition in China's life insurance market.

See Item 3. Key Information Risk Factors Risks Relating to the PRC Life Insurance Industry We expect competition in the Chinese insurance industry to increase, which may materially and adversely affect the growth of our business .

We also face increasing competition from other financial services providers, primarily licensed mutual fund companies, commercial banks providing personal banking services and operating business of various financial products, trust companies and brokerage houses licensed to manage separate accounts. These financial services providers may be permitted to manage employer-sponsored defined contribution pension plans, which we believe will compete directly with our group annuity products. We also face competition in the sale of our individual participating policies and annuities from financial institutions which offer investment products to the public.

## **Business Management**

### ***Customer Support Management***

We seek to provide quality services to our customers and potential customers and to be responsive to their needs, both before and after a sale, through an extensive customer support network. Our customer service network is managed by specialized customer service departments, which are responsible for setting uniform standards and procedures for providing policy-related services to customers, handling inquiries and complaints from customers and training customer services personnel.

We deliver customer services primarily through customer service units operating in our branch offices and in field offices throughout China and a sophisticated telephone call center network. We take advantage of alternative customer services channels, such as cell phone messages and the Internet, complementing the customer services provided by our customer service units and the call center network.

### ***Customer service units***

We provide customer support through approximately 2,600 customer service units nationwide. We provide several types of policy-related services to our customers, which include collecting regular premiums, renewing policies, purchasing supplemental policies, reinstating lapsed policies, processing surrenders, increasing insured amounts, processing policy loans, paying benefits and updating information regarding holders and beneficiaries of policies. We require our customer service units to provide these policy-related services in accordance with procedures and standards that we implement on a nationwide basis, helping to ensure the quality of the services we provide. We also have uniform service standards for customer service units nationwide. We also have a specialized customer service department to further refine our customer services. The customer service department's role is to provide service to our customers and supervise the quality of service provided by our customer service units.

***Telephone call service center***

Our telephone call service centers allow customers to make product and service inquiries, file complaints, report claims and losses, make appointments and update the contact information regarding holders of policies. They also provide call-back, greeting message and reminder call services to customers. With our dedicated, nationwide inquiry line, 95519, our customers can reach us on a 24 hours/7 days basis.

We believe our call centers have become popular with our customers because of the quality of services we provide. We received the award of China's Best Call Center of Year 2015-2016 from the Customer Relationship Management Committee of the China Federation of IT Promotion. We also received the Best Call Centers in the World award from the International Customer Management Institute in 2007, 2011 and 2015, respectively, and have obtained the authentication of Chinese national call center operating performance standards. We will continue to ensure that we have a sufficient number of lines and staff to service the increasing use of our call centers.

We have established system-wide standards for our call centers, which we monitor periodically through regular call quality monitoring and customer satisfaction surveys on the call centers.

***Cell phone message services***

We send short messages to our customers all over China, conveying such information as birthday greetings, premium payment notices and premium payment confirmations.

***Internet-based services***

Our customers can utilize our Internet-based services for inquiries, complaints and service requests through our website ([www.e-chinalife.com](http://www.e-chinalife.com)). We also use emails to send messages to our customers all over China, conveying such information as birthday and holiday greetings, premium payment notices and premium payment confirmations.

***Supplementary services***

To allow our customers to benefit from superior service and enhance their service experience, we provide several types of supplementary services while continuing to provide quality basic insurance services.

Our service brand China Life 1+N covers several types of basic policy-related services and value-added services (including Health Good Helper, China Life Insurance Information Hub, China Life Lecture Hall, China Life Preferential Value and Featured Customer Service Activities). We have also successfully held the China Life Customer Festival and Hand in Hand customer service activities for ten consecutive years. In addition we continued the global emergency rescue service and VIP service to provide different levels of global emergency rescue, health consultation and VIP care services to our customers of long term insurance. We continued to pay attention to the education and development of children and teenagers and have held the national painting activities for children and teenagers for six consecutive years.

### ***Underwriting and Pricing***

Our individual and group insurance underwriting involves the evaluation of applications for life, accident and health insurance products by a professional staff of underwriters and actuaries, who determine the type and the amount of risk that we are willing to accept. We have established qualification requirements and review procedures for our underwriting professionals. We employ detailed underwriting policies, guidelines and procedures designed to assist our underwriters to assess and quantify risks before issuing a policy to qualified applicants.

We generally evaluate the risk characteristics of each prospective insured. Requests for coverage are reviewed on their merits, and a policy is not issued unless the particular risk or group has been examined and approved for underwriting.

We have different authorization limits and procedures depending on the amount of the claim. We also have authorization limits for personnel depending on their level of qualifications.

In order to maintain high standards of underwriting quality and consistency, we engage in periodic internal underwriting audits.

Individual and group product pricing reflects our insurance underwriting standards. Product pricing on insurance products is based on the expected payout of benefits, calculated through the use of mortality table, morbidity, expenses and investment returns. Those assumptions and other assumptions for calculating the margin for expected profitability are based on our own experience, third party consultation, the experience of reinsurance companies and published data from other institutions. For more information on regulation of insurance products, see [Regulatory and Related Matters Insurance Company Regulation](#) .

We primarily offer products denominated in Renminbi.

### ***Claims Management***

We manage the claims from policyholders through our claims verification staff at our headquarters and branch offices. Typically, upon receiving a claim, a staff person will verify preliminarily if all materials supporting the claim have been submitted; if so, the claim and its materials will be forwarded to the liability department to confirm liability and to determine whether a claim investigation is needed. Upon confirming the validity of the claim and insurance liability, the amount payable to the policyholder will be calculated, and the claim will be paid upon completion of approval procedure.

We manage claims management risk through organizational controls and computer systems controls. Our organizational controls include specific limits on authorization for branches at different levels; periodic case inspection and special inspections in particular situations by risk management bodies at all levels of our organization; expense mechanisms linking payout ratios of short-term insurance policies and expense ratios of branches. Except for some health insurance claims below a certain amount, verification of claims by two staff members is also required. We also periodically provide training to our claims verification personnel and conduct appraisals of their performance. Our claims management is strictly processed with computers to streamline claims verification and handling.

### ***Reinsurance***

We have entered into various reinsurance agreements with China Life Reinsurance Company Ltd., or China Life Re, formerly known as China Reinsurance Company, for the reinsurance of individual risks and group risks. In general, individual and group risks are primarily reinsured either on a surplus basis, whereby we are reinsured for risks above a specified amount, or on a percentage basis. Under our reinsurance policy, the specified amount above which the risks are reinsured varies among different types of insurance products. In general, our reinsurance agreements with China

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Life Re do not have a definite term, but may be terminated with respect to new business thereunder by either party on a date agreed by both parties with three to six months notice.

We have also entered into reinsurance agreements separately with other reinsurance companies including the Beijing branch of Munich Reinsurance Company, Mapfre Re, the Shanghai branch of General Re Corporation, the Shanghai branch of Hannover Re and Aetna Life & Casualty (Bermuda) Ltd.

In May 2015, we renewed our catastrophe reinsurance protection in order to reduce our catastrophe exposure.

These reinsurance agreements spread the risk and reduce the effect on us of potential losses. Under the terms of the reinsurance agreements, the reinsurer agrees to assume liabilities for the insured, or ceded, amount in the event the claim is paid. However, we remain liable to our policyholders if the reinsurer fails to meet the obligations assumed by it.

We also accept external auditing of the reinsurance business by our reinsurers.

### ***Financial Statement Insurance Reserves***

For all of our insurance contracts, we establish, and carry as liabilities, actuarially determined amounts that are calculated to meet our obligations to policyholders under our insurance contracts.

Our reserves for financial reporting purposes are calculated based on the best estimated amounts required to be paid by us to fulfill the relevant obligations under insurance contracts. We have considered margin and time value on the reserve calculation for insurance contracts. We expect these reserve amounts, along with future premiums to be received on insurance contracts and investment earnings on these amounts, to be sufficient to meet our obligations to policyholders under our insurance contracts.

We establish the liabilities to meet our obligations under our insurance contracts based on the present value of reasonable estimates of future cash outflows less future cash inflows. We have considered margin in the establishment of such liabilities. Our assumptions for calculating reserve amounts include assumptions for mortality, morbidity, lapse rate, expenses and discount rate. These assumptions may deviate from our actual experiences and, as a result, we cannot determine precisely the amounts which we will ultimately pay to settle these liabilities or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. The discount rate assumption is affected by certain factors, such as future macro-economy, monetary and exchange rate policies, capital market results and availability of investment channels to invest our insurance funds. We review these assumptions periodically, based on analysis of historical experiences and expectations of future developments. We evaluate our liabilities based on reviewed assumptions. To the extent that actual experiences deviate significantly from our assumptions used to establish these liabilities, and these deviations are expected to continue in the foreseeable future, we may be required to increase or decrease our liabilities. This increase or decrease could have a material effect on our profitability and, if significant, our financial condition.

## Investments

As of December 31, 2016, we had RMB 2,453,283 million (US\$ 353,346 million) of investment assets. As provided by China's insurance laws and regulations, we may invest insurance premiums and other insurance funds in five categories of investment assets, including liquidity assets, fixed income assets, equity assets, real properties and other financial assets, all as defined by the CIRC and subject to various limitations. Each category of investment assets is also divided into domestic assets and overseas assets. See [Regulatory and Related Matters Insurance Company Regulation Regulation of investments](#). As of December 31, 2016, we have invested our insurance premiums and other insurance funds in term deposits, debt securities, loans, securities investment funds, stocks, resale agreements, investment properties, equity interests of non-listed enterprises and related financial products and other financial products.

We direct and monitor our investment activities through the application of investment management guidelines and investment plans. Our investment management guidelines and investment plans include: (1) performance goals for the investment fund; (2) specified asset allocations and investment scope based on regulatory provisions, level of indebtedness and market forecasts; (3) specified goals for investment duration and asset-liability matching requirements based on asset-liability matching strategies; (4) specified authorization levels required for approval of significant investment projects; and (5) specified risk management policies and prohibitions. The investment management guidelines and investment plans are reviewed and approved by the board of directors annually.

Investment proposals typically originate from our investment management department, which is in charge of all of our investment assets except for investment in real properties used by us, which is separately managed by our own-use real property investment management department. Investment proposals are reviewed by our risk management department for risk assessment and submitted to the investment decision committee for final approval.

AMC, the asset management company that we established with CLIC, manages a substantial part of our Renminbi investments following the restructuring and, separately, substantially all of the investments retained by CLIC. See [Asset Management Business](#). IHC, a wholly owned subsidiary of CLIC, also manages our investments in unlisted equity interests, real property and related financial products and securitization financial products. See [Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with IHC](#). As of December 31, 2016, we had also engaged 28 domestic investment managers to manage RMB 63,500 million (US\$ 9,146 million) for investment in Chinese open markets and 13 investment managers to manage US\$ 1,300 million for investment in overseas open markets.

The following table summarizes information concerning our investment assets as of December 31, 2014, 2015 and 2016.

	As of December 31,					
	2014		2015		2016	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	<i>(RMB in millions, except as otherwise indicated)</i>					
Cash and cash equivalents	47,034	2.2%	76,096	3.3%	67,046	2.7%
Term deposits	690,156	32.9%	562,622	24.6%	538,325	21.9%
Statutory deposits restricted	6,153	0.3%	6,333	0.3%	6,333	0.3%
Debt securities, held-to-maturity	517,283	24.6%	504,075	22.0%	594,730	24.2%
Debt securities, available-for-sale	395,341	18.8%	401,899	17.6%	399,758	16.3%



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Debt securities, securities at fair value through profit or loss	29,212	1.4%	94,984	4.2%	154,406	6.3%
Debt securities	941,836	44.8%	1,000,958	43.8%	1,148,894	46.8%
Loans	166,453	7.9%	207,267	9.0%	226,573	9.3%
Equity securities, available for sale	212,190	10.1%	368,617	16.1%	366,665	14.9%
Equity securities, securities at fair value through profit or loss	23,840	1.1%	43,006	1.9%	54,718	2.2%

	As of December 31,					
	2014		2015		2016	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
<i>(RMB in millions, except as otherwise indicated)</i>						
Equity securities	236,030	11.2%	411,623	18.0%	421,383	17.2%
Resale agreements	11,925	0.6%	21,503	0.9%	43,538	1.8%
Investment properties	1,283	0.1%	1,237	0.1%	1,191	0.0%
<b>Total investment assets</b>	<b>2,100,870</b>	<b>100%</b>	<b>2,287,639</b>	<b>100%</b>	<b>2,453,283</b>	<b>100.0%</b>
Average investment assets balance	1,974,776		2,194,255		2,370,461	

**Risk management**

Our primary investment objective is to pursue optimal investment yields while considering macroeconomic factors, risk control and regulatory requirements. We are exposed to five primary sources of investment risk:

interest rate risk, relating to the market price and cash flow variability associated with changes in interest rates;

credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

market valuation risk, relating to the changes in market value for our investments, particularly our securities investment fund holdings and shares listed on the Chinese securities exchanges, which are denominated and traded in Renminbi;

liquidity risk, relating to the lack of liquidity in many of the debt securities markets we invest in, due to contractual restrictions on transfer or the size of our investments in relation to the overall market; and

currency exchange risk, relating to the impact of changes in the value of the Renminbi against the U.S. dollar and other currencies on the value of our investments.

Our investment assets are principally comprised of fixed income securities and term deposits, and therefore changes in interest rates have a significant impact on the rate of our investment return. We manage interest rate risk through adjustments to our portfolio mix and terms, and by managing, to the extent possible, the average duration and maturity of our assets and liabilities. However, because of the general lack of long-term fixed income securities in the Chinese financial markets, the duration of some of our assets is lower than our liabilities. We believe that with the development of China's financial markets and the gradual easing of our investment restrictions, our ability to match our assets to our liabilities will improve. Although we have been approved to enter into interest rate swaps, it is still not an effective means for us to hedge our interest rate risk as the Chinese interest rate swap market is still in the early stages of development.

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We believe we have a relatively low credit risk, because we mainly invest in fixed income products with high credit ratings. We monitor our credit risk through in-house fundamental analysis of the Chinese economy and the underlying obligors and transaction structures.

We are subject to market valuation risk, particularly because of the relative lack of stability of China's bond and stock markets. We manage valuation risk through industry and issuer diversification and asset allocation.

Since substantially all of our investments are made in China, we are exposed to the effect of changes in the Chinese economy and other factors which affect the Chinese banking industry and securities markets.

We are also subject to market liquidity risk for many of the debt securities investments we make, due to the size of our investments in relation to the overall market. We manage liquidity risk through selection of liquid assets and through asset diversification. In addition, we view fundraising through repurchase agreements as a way of managing our short-term liquidity risk.

Our ability to manage our investment risks is limited by the investment restrictions placed on us and the lack of sophisticated investment vehicles for risk management in China's capital markets. The CIRC allows insurance companies to invest in financial derivative products with the aim to hedge and reduce investment risks. We are considering these alternative ways of investing to further improve our risk management.

Our assets held in foreign currencies are subject to foreign exchange risks resulting from the fluctuations of the value of the Renminbi against the U.S. dollar and other foreign currencies. Our overseas investments are denominated in U.S. dollar, and we have hedged a portion of our investments held in non-US currencies to reduce our foreign exchange risks.

As we are approved by the CIRC to invest our assets held in foreign currencies in overseas financial markets, the return from overseas investments could, to certain extent, reduce the foreign exchange risks we are exposed to.

For further information on our management of interest rate risk and market valuation risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk .

### ***Investment results***

Our investment yields for the years ended December 31, 2016, 2015 and 2014 were 4.56%, 6.39% and 5.39%, respectively. Beginning in 2016, the formula to calculate our investment yield has been revised to reflect the fact that our investment income has been subject to 6% Value Added Tax, or VAT, instead of the 5% business tax from May 1, 2016, and therefore investment yields for the fiscal years ended December 31, 2014 and 2015 have also been revised to conform to the revised formula.

The following table sets forth the yields on average assets for each major component of our investment portfolios for the periods indicated.

	As of or for the years ended December 31,					
	2014		2015		2016	
	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount
	<i>(RMB in millions, except as otherwise indicated)</i>					
<b>Cash, cash equivalents, statutory deposits and term deposits:</b>						
Investment income	4.9%	34,934	4.7%	32,285	4.4%	27,851
Ending assets: cash and cash equivalents		47,034		76,096		67,046
Ending assets: statutory deposits restricted		6,153		6,333		6,333
Ending assets: term deposits		690,156		562,622		538,325

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Ending assets	743,343	645,051	611,704
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	As of or for the years ended December 31,					
	2014		2015		2016	
	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount	Yield <sup>(1)</sup>	Amount
<b>Debt securities:</b>						
Investment income		45,499		44,449		48,036
Net realized gains/(losses) on financial assets		142		(4)		46
Net fair value gains/(losses) through profit or loss		2,272		766		(918)
<b>Total</b>	<b>5.3%</b>	<b>47,913</b>	<b>4.7%</b>	<b>45,211</b>	<b>4.4%</b>	<b>47,164</b>
Ending assets		941,836		1,000,958		1,148,894
<b>Loans:</b>						
Investment income	5.7%	8,138	5.9%	11,115	5.5%	12,018
Ending assets		166,453		207,267		226,573
<b>Equity securities:</b>						
Investment income		4,564		9,276		20,271
Net realized gains on financial assets		6,978		32,301		5,992
Net fair value gains/(losses) through profit or loss		4,977		9,324		(6,319)
<b>Total</b>	<b>8.4%</b>	<b>16,519</b>	<b>15.7%</b>	<b>50,901</b>	<b>4.8%</b>	<b>19,944</b>
Ending assets		236,030		411,623		421,383
<b>Resale agreements:</b>						
Investment income	3.0%	299	2.2%	368	3.0%	971
Ending assets		11,925		21,503		43,538
<b>Investments properties:</b>						
Investment income	3.8%	50	5.7%	72	4.9%	60
Ending assets		1,283		1,237		1,191
<b>Total investments:</b>						
Investment income		93,548		97,582		109,147
Net realized gains on financial assets		7,120		32,297		6,038
Net fair value gains/(losses) through profit or loss		5,808		10,209		(7,094)
Income of Investments properties		50		72		60
<b>Total</b>	<b>5.4%</b>	<b>106,526</b>	<b>6.4%</b>	<b>140,160</b>	<b>4.6%</b>	<b>108,151</b>
Ending assets		2,100,870		2,287,639		2,453,283

(1) Yields for 2016, 2015 and 2014 are calculated by dividing the total investment income for that year by the average of the ending balances of that year and the previous year.

#### ***Term deposits***

Term deposits consist principally of term deposits with Chinese commercial banking institutions and represented 21.9% of our total investment assets as of December 31, 2016, 24.6% of our total investment assets as of December 31, 2015, and 32.9% of our total investment assets as of December 31, 2014.

We generally make term deposits with state-owned commercial banks and large joint stock commercial banks. The terms of the term deposits vary. They typically allow us to renegotiate terms with the banks upon prepayment, including the methods for the calculation of accrued interest, if any. We make large term deposits to obtain higher yields than can ordinarily be obtained with regular deposits.



The following table sets forth term deposits by contractual maturity dates, as of the dates indicated.

	As of December 31,		
	2014	2015	2016
	Amortized cost	Amortized cost	Amortized cost
	<i>(RMB in millions)</i>		
Due in one year or less	200,214	181,780	185,835
Due after one year and through five years	463,442	380,842	344,790
Due after five years and through ten years	26,500		7,700
<b>Total term deposits</b>	<b>690,156</b>	<b>562,622</b>	<b>538,325</b>

The following table sets forth term deposits outstanding to Chinese banking institutions as of the dates indicated.

	As of December 31,		
	2014	2015	2016
	Amortized cost	Amortized cost	Amortized cost
	<i>(RMB in millions)</i>		
Industrial & Commercial Bank of China	20,821	21,341	21,210
Agriculture Bank of China	144,856	133,409	110,242
Bank of China	150,735	118,931	70,792
China Construction Bank	19,337	24,212	42,750
Bank of Communications	132,336	100,432	121,142
Other banks	222,071	164,297	172,189
<b>Total term deposits</b>	<b>690,156</b>	<b>562,622</b>	<b>538,325</b>

### *Debt securities*

Debt securities in which we are permitted to invest mainly consist of the following categories:

Chinese government bonds;

government agency bonds (including local government bonds issued and repaid by the MOF as agent, central bank notes, financial bonds issued by state-owned policy banks of the Chinese government, and RMB-denominated bonds issued by international development institutions);

corporate bonds (including financial bonds issued by commercial banks, corporate bonds, convertible corporate bonds, short-term financing bonds and medium-term notes); and



subordinated bonds and debt (including subordinated bonds issued by state-owned policy banks of the Chinese government, subordinated bonds issued by commercial banks, subordinated debt with fixed terms issued by commercial banks and subordinated debt with fixed terms issued by insurance companies).

Debt securities represented 46.8% of our total investment assets as of December 31, 2016, 43.8% of our total investment assets as of December 31, 2015 and 44.8% of our total investment assets as of December 31, 2014.

Based on estimated fair value, Chinese government bonds, Chinese government agency bonds, corporate bonds, subordinated bonds and debt and other debt securities comprised 5.4%, 36.6%, 47.1%, 4.2% and 6.7% of our total available-for-sale debt securities as of December 31, 2016. 6.4%, 36.2%, 51.4%, 4.8% and 1.2% of our total available-for-sale debt securities as of December 31, 2015 and 6.7%, 35.0%, 52.2%, 5.8% and 0.3% of our total available-for-sale debt securities as of December 31, 2014. Except for a small number of debt securities, which collectively had a carrying value of RMB 14,075 million (US\$ 2,027 million) as of December 31, 2016, most of our debt securities are traded on security exchanges or in the unlisted interbank market in China.

We mainly invest in secured bonds and unsecured bonds rated AA or above by the rating agencies recognized by the CIRC, such as China Chengxin International Credit Rating Co., Ltd, or Chengxin International, and Dagong Global Credit Rating Agency, or Dagong. We also invest in short-term financing bonds rated A-2 or above.

Chengxin International is a member of Moody's Investors Service Inc., with Moody's owning 30% equity interest in Chengxin International. Chengxin International created its own rating structures by making reference to the rating structures and experience of Moody's and Fitch Ratings. AAA is the highest rating. Other approved rating agencies, such as Dagong, have similar rating structures. Ratings given by these entities are not directly comparable to ratings given by U.S. rating agencies.

The following table sets forth the amortized cost and estimated fair value of debt securities, as of the dates indicated.

	2014		As of December 31, 2015				2016				
	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimated fair value
<i>(RMB in millions)</i>											
<b>Debt securities, available for sale:</b>											
Government bonds	25,885	2.8%	26,328	2.8%	23,750	2.5%	25,713	2.5%	20,173	1.8%	21,653
Government agency bonds	137,303	14.7%	138,487	14.6%	134,021	13.9%	145,399	13.9%	140,444	12.4%	146,310
Corporate bonds	206,232	22.0%	206,511	21.7%	196,408	20.4%	206,767	19.7%	183,408	16.1%	188,337
Secured	22,304	2.4%	22,798	2.4%	17,771	1.9%	19,298	1.8%	15,948	1.4%	16,708
Unsecured	1,221	0.1%	1,217	0.1%	4,723	0.5%	4,722	0.5%	26,773	2.3%	26,750
<b>Total</b>	<b>392,945</b>	<b>42.0%</b>	<b>395,341</b>	<b>41.6%</b>	<b>376,673</b>	<b>39.2%</b>	<b>401,899</b>	<b>38.4%</b>	<b>386,746</b>	<b>34.0%</b>	<b>399,758</b>
<b>Debt securities, held to maturity:</b>											
Government bonds	88,843	9.5%	91,000	9.6%	79,438	8.3%	87,340	8.3%	97,196	8.6%	102,595
Government agency bonds	126,140	13.5%	127,659	13.4%	126,097	13.1%	136,927	13.1%	169,001	14.9%	173,036
Corporate bonds	146,595	15.7%	148,699	15.6%	146,405	15.2%	159,223	15.2%	178,444	15.7%	184,461
Secured	155,705	16.6%	159,168	16.7%	152,135	15.8%	167,354	16.0%	150,089	13.2%	159,060
Unsecured											
<b>Total</b>	<b>517,283</b>	<b>55.3%</b>	<b>526,526</b>	<b>55.3%</b>	<b>504,075</b>	<b>52.4%</b>	<b>550,844</b>	<b>52.6%</b>	<b>594,730</b>	<b>52.4%</b>	<b>619,152</b>

Securities, at fair value											
Government bonds	254		254		401	0.0%	603	0.1%	381	0.0%	380
Government agency	3,995	0.4%	4,085	0.5%	5,262	0.6%	5,689	0.5%	6,800	0.6%	6,762
Corporate bonds	21,590	2.3%	24,873	2.6%	74,359	7.8%	88,291	8.4%	144,596	12.7%	144,131
					394	0.0%	401	0.0%	3,133	0.3%	3,133
at fair value	<b>25,839</b>	<b>2.7%</b>	<b>29,212</b>	<b>3.1%</b>	<b>80,416</b>	<b>8.4%</b>	<b>94,984</b>	<b>9.0%</b>	<b>154,910</b>	<b>13.6%</b>	<b>154,406</b>
	<b>936,067</b>	<b>100.0%</b>	<b>951,079</b>	<b>100.0%</b>	<b>961,164</b>	<b>100.0%</b>	<b>1,047,727</b>	<b>100.0%</b>	<b>1,136,386</b>	<b>100.0%</b>	<b>1,173,316</b>

The following table shows the amortized cost and estimated fair value of debt securities excluding securities at fair value through profit or loss by contractual maturity dates, as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
	<i>(RMB in millions)</i>					
Due in one year or less	25,761	25,814	34,378	34,628	63,665	64,119
Due after one year and through five years	208,995	211,032	216,313	226,112	213,167	218,608
Due after five years and through ten years	268,882	275,236	271,887	294,941	341,479	355,984
Due after ten years	406,590	409,785	358,170	397,062	363,165	380,199
<b>Total debt securities, excluding those at fair value through profit or loss</b>	<b>910,228</b>	<b>921,867</b>	<b>880,748</b>	<b>952,743</b>	<b>981,476</b>	<b>1,018,910</b>

Our investments in debt securities are subject to strict restrictions under relevant Chinese regulation. See [Regulatory and Related Matters](#) Regulation of investments . We diversify our corporate bonds by industry and issuer. Our corporate bond portfolio does not have significant exposure to a single industry or issuer.

### *Loans*

We offer interest-bearing policy loans to our policyholders, who may borrow from us in amounts up to the total cash surrender values of their policies. In general, the loans are secured by the policyholders' rights under the policies. As of December 31, 2016, the total amount of our policy loans was RMB 92,442 million (US\$ 13,314 million), and represented 3.77% of our total investment assets as of that date.

In addition to policy loans, our other loans mainly consist of our investment in debt investment plans and trust schemes. As of December 31, 2014, the total amount of our investment in debt investment plans was RMB 59,897 million. As of and for the year ended December 31, 2015, the total amount of our investment in debt investment plans was RMB 65,118 million, and we had total investment proceeds from such plans of approximately RMB 3,572 million. As of and for the year ended December 31, 2016, the total amount of our investment in debt investment plans was RMB 63,028 million (US\$ 9,078 million), and we had total investment proceeds from such plans of approximately RMB 3,532 million (US\$ 509 million). As of December 31, 2014, the total amount of our investment in trust schemes was RMB 27,257 million. As of and for the year ended December 31, 2015, the total amount of our investment in trust schemes was RMB 45,460 million, and we had total investment proceeds from such schemes of approximately RMB 2,692 million. As of and for the year ended December 31, 2016, the total amount of our investment in trust schemes was RMB 47,864 million (US\$ 6,894 million), and we had total investment proceeds from such schemes of approximately RMB 3,066 million (US\$ 442 million).

### *Securities investment funds*

Securities investment funds consist of Chinese domestic investment funds and overseas investment funds that primarily invest in securities. As of December 31, 2016, our investment in securities investment funds was RMB 119,973 million (US\$ 17,280 million) and represented 4.89 % of our total investment assets as of that date. Our investment in securities investment funds mainly consists of investment in Chinese domestic investment funds.

## Edgar Filing: - Form

We invest in both closed-end securities investment funds, in which the number of shares is fixed and the share value depends on the trading value, and open-end securities investment funds, in which the number of shares issued by the fund fluctuates and the share value is set by the value of the assets held by the fund. Our investments in securities investment funds are subject to strict restrictions under relevant Chinese regulations. See Regulatory and Related Matters Insurance Company Regulation Regulation of investments . Our holdings in securities investment funds comply with those restrictions.

The following table presents the carrying values of investments in open-end and closed-end securities investment funds as of the dates indicated.

	As of December 31,					
	2014		2015		2016	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	<i>(RMB in millions, except as otherwise indicated)</i>					
Open-end	82,611	98.8%	167,900	99.1%	117,027	97.5%
Closed-end	1,009	1.2%	1,585	0.9%	2,946	2.5%
<b>Total</b>	<b>83,620</b>	<b>100%</b>	<b>169,485</b>	<b>100.0%</b>	<b>119,973</b>	<b>100.0%</b>

### *Stocks*

Investments in stocks consist of investment in publicly offered and listed equity securities that are denominated and traded in Renminbi and investment in stocks listed on specified overseas stock exchanges that are permitted by the CIRC. Our investments in stocks are subject to strict restrictions under relevant Chinese regulations. See Regulatory and Related Matters Insurance Company Regulation Regulation of investments . As of December 31, 2016, the total amount of our investment in common stocks was RMB 140,166 million (US\$ 20,188 million), and represented 5.7% of our total investment assets as of that date. As of December 31, 2015, the total amount of our investment in common stocks was RMB 111,516 million, and represented 4.9% of our total investment assets as of that date. As of December 31, 2014, the total amount of our investment in common stocks was RMB 94,933 million, and represented 4.5% of our total investment assets as of that date.

### *Resale agreements*

We enter into resale agreements, which consist of securities resell activities in resell markets.

The securities purchased under agreements to resell were RMB 43,538 million (US\$ 6,271 million) as of December 31, 2016, RMB 21,503 million as of December 31, 2015 and RMB 11,925 million as of December 31, 2014.

### *Equity interests in non-listed enterprises and related financial products*

Insurance companies are allowed to invest, directly or indirectly, in equity interests in non-listed enterprises. These investments are categorized either as direct investments , for investments by an insurance company in its name, or as indirect investments , for investments through equity investment funds and other related financial products sponsored and established by an investment management institution. Our investments in equity interests in non-listed enterprises and related financial products are subject to strict restrictions under relevant Chinese regulations. See Regulatory and Related Matters Insurance Company Regulation Regulation of investments .

We started to make investments in equity interests in non-listed enterprises in 2006. The following table presents the carrying values of our major investments in equity interests in non-listed enterprises as of the dates indicated.



	As of December 31,		
	2014 Carrying value <i>(RMB in millions, except as otherwise indicated)</i>	2015 Carrying value	2016 Carrying value
China Life Property and Casualty Insurance Company Limited	6,757	7,812	7,929
China Guangfa Bank Co., Ltd.	20,535	22,553	50,299
Sinopec Sales Co., Ltd.		10,055	10,522
Sinopec Sichuan to East China Gas Pipeline Co., Ltd.			20,000

In February 2016, we entered into agreements with Citigroup Inc. and IBM Credit LLC to purchase 23.686% of the shares of China Guangfa Bank, or CGB, for RMB 23.312 billion. Upon closing, our equity interest in CGB increased from 20% to 43.686% and we became the largest shareholder of CGB. In December 2016, we also invested RMB 20 billion to purchase 43.9% equity interest in Sinopec Sichuan to East China Gas Pipeline Co., Ltd. We invested in China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) with a capital commitment of RMB 9 billion, of which RMB 1.5 billion has been paid as of the date of this annual report.

### Asset Management Business

On November 23, 2003, we established an asset management company, AMC, with CLIC, in connection with the restructuring for the purpose of operating the asset management business more professionally in a separate entity and to better attract and retain qualified investment management professionals. AMC manages our investment assets and, separately, substantially all of those of CLIC. For a description of our investment assets, see [Investments](#).

We own 60% and CLIC owns 40% of AMC. Directors of AMC are appointed by the shareholders at a general meeting. As the controlling shareholder, we effectively control the composition of AMC's board of directors. In 2014, the registered capital of AMC was increased from RMB 3 billion to RMB 4 billion. The proportionate shareholding between CLIC and us remains unchanged.

As of and for the year ended December 31, 2016, AMC had total assets of RMB 8,284 million (US\$ 1,193 million), net assets of RMB 7,548 million (US\$ 1,087 million) and net profit of RMB 991 million (US\$ 143 million).

### Property and Casualty Business

In December 2006 we and CLIC established a property and casualty company, CLPCIC, with us owning 40% and CLIC owning the remaining 60%. In 2014, the registered capital of CLPCIC was increased from RMB 8 billion to RMB 15 billion, with us and CLIC contributing RMB 2.8 billion and 4.2 billion, respectively. The proportionate shareholding between CLIC and us remains unchanged.

As of and for the year ended December 31, 2016, CLPCIC had total assets of RMB 72,773 million (US\$ 10,481 million), net assets of RMB 19,823 million (US\$ 2,855 million) and net profit of RMB 1,157 million (US\$ 167 million).

### Pension Insurance Business

In January 2007 we, CLIC and AMC established a pension insurance company, China Life Pension, with us owning 55%, CLIC owning 25% and AMC owning the remaining 20%. In January 2015, the registered capital of China Life Pension was increased from RMB 2.5 billion to RMB 3.4 billion. China Life Pension is currently held 70.74%, 4.41%, 3.53%, 1.33%, and 19.99% by us, CLIC, AMC, China Credit Trust Company Limited and AMP Life Limited, respectively.





China Life Pension has obtained qualifications to serve as investment manager, trustee and account manager of enterprise annuity funds.

As of and for the year ended December 31, 2016, China Life Pension had total assets of RMB 3,697 million (US\$ 532 million), net assets of RMB 3,070 million (US\$ 442 million) and net profit of RMB 143 million (US\$ 21 million).

### **Information Technology**

Our computer systems provide support for many aspects of our businesses, including product development, sales and marketing, business management, cost control and risk control. We have approximately 1,736 experienced engineers, technicians and specialists providing professional and flexible support for our business operations in various aspects, including the design, research and development and operation of our computer systems.

In 2016, we launched the development of a new generation of Internet-based and client-focused comprehensive business management system which is secure and promptly responsive. We also launched two Internet-based platforms called China Life E-Shop and China Life E-Bao and 25 applications, which enables us to complete the entire sales process including product promotion, payment of premiums, issuance of policies and policy services through an Internet-based social network.

### **Trademarks**

We conduct our business under the China Life brand name (in English and Chinese), the ball logos and other business related slogans and logos. CLIC owns these trademarks and has registered them with the Trademark Office of the SAIC. CLIC has entered into a trademark license agreement with us, under which CLIC has agreed to grant us a royalty-free license to use these trademarks. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

### **Regulatory and Related Matters**

#### *Overview*

The insurance industry is heavily regulated in the PRC. The applicable laws and regulations governing insurance activities undertaken within the territories of the PRC consist principally of the PRC Insurance Law and rules and regulations promulgated under that law. The CIRC is the authority authorized by the PRC State Council to regulate and supervise the insurance industry in the PRC.

The PRC Insurance Law, which provided the initial framework for regulating the PRC insurance industry, was enacted in 1995, and significantly amended on October 28, 2002, February 28, 2009, August 31, 2014 and April 24, 2015. Among other things, the major provisions of the PRC Insurance Law include: (1) licensing of insurance companies and insurance intermediaries, such as agents and brokers; (2) separation of property and casualty business and life insurance business; (3) regulation of market conduct by participants; (4) substantive regulation of insurance products; (5) regulation of the financial condition and performance of insurance companies; and (6) supervisory and enforcement powers of the CIRC.

The CIRC was established in 1998. It has extensive supervisory authority over the PRC insurance industry, including: (1) promulgation of regulations applicable to the insurance industry; (2) examination of insurance companies; (3) establishment of investment regulations; (4) approving the policy terms and premium rates for certain insurance products; (5) setting standards for measuring the financial soundness of insurance companies; (6) requiring insurance companies to submit reports concerning their business operations and condition of assets; and (7) ordering the suspension of all or part of an insurance company's business. Since its establishment, the CIRC has promulgated a series of regulations indicating a gradual shift in the regulatory approach to a more transparent regulatory process and a convergent movement toward international standards.

### ***Insurance Company Regulation***

#### ***Licensing requirements***

An insurance company is required to obtain a license from the CIRC in order to engage in an insurance business. In general, a license will be granted only if the company can meet prescribed registered capital requirements and other specified requirements, including requirements relating to its form of organization, the qualifications of its senior management and actuarial staff, the adequacy of its information systems and specifications relating to the insurance products to be offered.

The CIRC may grant a life insurer a license to offer all or part of the following products: accident insurance, term life insurance, whole life insurance, annuities, short-term and long-term health insurance, endowment insurance (for individuals only) and other personal insurance approved by the CIRC, as well as reinsurance relating to any of the foregoing.

An insurance company may seek approval for establishing branch offices to meet its business needs so long as it meets minimum capital and other requirements. Our headquarters and all of our branch offices have obtained the requisite insurance licenses.

#### ***Minimum capital requirements***

The minimum paid-in capital for an insurance company is RMB 200 million. For an insurance company whose registered capital is RMB 200 million, the minimum incremental capital for each first branch office in a province other than the province where its headquarter is located is RMB 20 million. No additional capital will be required when the paid-in capital has reached RMB 500 million, and the insurer's solvency is sound.

#### ***Restriction of ownership in joint stock insurance companies***

Any acquisition of shares which results in the acquirer owning 5% or more of the registered capital of a joint stock insurance company, whether or not listed, requires the approval of the CIRC. A filing with the CIRC is required with respect to a change of equity interest of less than 5% in an insurance company, unless it is a listed insurance company. Unless otherwise approved by the CIRC, equity interests held by a single shareholder (including its related parties) must not exceed 20% of the total equity of a single insurance company; however, subject to the fulfillment of certain conditions and with the approval of the CIRC, the shareholding ratio of a single shareholder (including its related parties) in a single insurance company may be more than 20% but may never exceed 51%. The combined equity interests held by foreign investors may not exceed 50% of the total equity of a single life insurance company.

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***Fundamental changes***

Prior approval must be obtained from the CIRC before specified fundamental changes relating to a Chinese insurance company may occur. These include: a change of company name, registered capital or address of executive offices; an expansion of business scope; an amendment to articles of association; a merger or spin-off; a change in a shareholder whose capital contribution accounts for 5% or more of the total capital of the company or a shareholder holding 5% or more of the shares of the company; and a termination of a branch office. In addition, certain other changes relating to the insurance company must be reviewed by or filed with the CIRC.

***Regulation of products***

*Regulation of ordinary personal insurance products.* An ordinary personal insurance product is one whose insurance premiums and policy benefits are definite upon issuance of the insurance policy. Beginning from August 5, 2013, the CIRC removed the original 2.50% cap on the guaranteed rates of return of ordinary personal insurance products, and such guaranteed rates of return can be decided by insurance companies at their discretion in accordance with the principle of prudence. Meanwhile, the statutory valuation rates of ordinary personal insurance policies issued on and after August 5, 2013 have been increased from 2.50% to 3.50%. In addition, beginning from August 5, 2013, if the guaranteed rate of return of an ordinary personal insurance product developed by an insurance company is not higher than the maximum valuation rate set by the CIRC which varies depending on product, the insurance company must file the relevant information of the product with the CIRC. If such rate is higher than the maximum valuation rate set by the CIRC, the insurance company is required to obtain the CIRC's approval on the product in advance, and during the approval process, the insurance company is not allowed to submit new insurance clauses and premium rates to the CIRC for approval. On September 2, 2016, the CIRC further required that policy loans provided by an insurer may not exceed 80% of the cash value or account value of the policy.

*Regulation of participating products.* A participating product is one which the policyholder or annuitant is entitled to share in the distributable earnings of the insurer through policy dividends. The participation dividend may be in the form of a cash payment or an increase in the insured amount. At least 70% of the distributable earnings is required to be distributed as dividends. In September 2015, the CIRC removed the original 2.50% cap on the assumed interest rate of participating products. From October 1, 2015, the assumed interest rate is to be decided by insurance companies at their discretion in accordance with the principle of prudence. If the assumed interest rate of a participating product developed by an insurance company is not higher than 3.50%, the insurance company must file the specific information of such product with the CIRC for record. If such rate is higher than 3.50%, the insurance company is required to obtain the CIRC's approval of the product. In addition, the valuation rate of unearned premium reserves of participating products equals to either the pricing rate or 3.00%, whichever is lower. Beginning from September 2, 2016, if the assumed interest rate or guaranteed rate of a life insurance product newly developed by an insurance company is lower than the maximum valuation rate set by the CIRC, which is 3.00% for participating products, the insurance company is only required to file specified information relating to the product with the CIRC, and if such rates are higher than 3.00%, the insurance company is required to obtain the CIRC's approval for such products.

*Regulation of universal products.* A universal product is one which offers the typical protection of life insurance with investment accounts providing a minimum yield. The premium payments and coverage of universal products are flexible, usually with a minimum guaranteed interest rate, and the investment yields are settled periodically. Beginning from February 16, 2015, the CIRC removed the original 2.50% cap on the minimum guaranteed interest rate of universal products, with the guaranteed interest rate to be decided by insurance companies at their discretion in accordance with the principle of prudence.

Meanwhile, the maximum valuation rate of a universal product has been increased from a compound annual rate of 2.50% to a compound annual rate of 3.50%. Beginning from September 2, 2016, the CIRC changed the maximum valuation rate of a universal product from a compound annual rate of 3.50% to a compound annual rate of 3.00%. If the minimum guaranteed interest rate of a universal product developed by an insurance company is not higher than the maximum valuation rate set by the CIRC (i.e. a compound annual rate of 3.00%), the insurance company must file specified information relating to the product with the CIRC. If such rate is higher than the maximum valuation rate set by the CIRC, the insurance company is required to obtain the CIRC's approval of the product. Any amendment to the insurance clauses, premium rates, insurance liabilities, types of insurance or pricing methods of universal products must be filed with or approved by the CIRC.

*Regulation of investment-linked products.* An investment-linked product is one which insures the policyholder or annuitant against one or more separate risks and at the same time gives the policyholder or annuitant an interest in one or more separate investment accounts. Insurance companies must complete the establishment of investment accounts before submitting the required information regarding their investment-linked products to the CIRC for approval or filing. Insurance companies must report on the establishment, change, consolidation, division, close or settlement of the investment accounts to the CIRC within 10 business days after occurrence of these events. Transactions between a separate investment account and any other account of the insurance company, other than a transfer of cash to establish the investment account, are prohibited. Other CIRC regulations govern the sale and disclosure terms of investment-linked products.

*Regulation of short-to-medium term products.* Beginning from March 21, 2016, CIRC's new regulations on personal insurance products with short-to-medium terms became effective. Under the new CIRC regulations, personal insurance products with short-to-medium terms are defined as follows:

where the sum of the cash value of the insurance policy (account value) at the end of any policy year within the past four policy years and the cumulative survival insurance benefits exceeds the total amount of premiums paid; and

it is expected that 60% or more of the policies of such product have a duration of less than five years. Under the new CIRC regulations, an insurer's annual premium income from personal insurance products with short-to-medium terms may not exceed two times the amount of capital invested by or the net assets of such insurer at the end of the latest quarter, whichever is larger. Insurers are also required to immediately cease developing and selling personal insurance products with a term of less than one year. An insurer's annual premium income from personal insurance products with a term more than one year but less than three years may not exceed 90% of the overall regulatory limitation in 2016, 70% of the overall regulatory limitation in 2017 and 50% of the overall regulatory limitation in 2018 and thereafter. Furthermore, beginning from January 1, 2019, an insurer's annual premium income from personal insurance products with short-to-medium terms may not exceed 50% of its total premiums for 2019, 40% of its total premiums for 2020 and 30% of its total premiums for 2021 and thereafter.

Investment-linked products and variable annuity insurance must also be evaluated and reported according to the above requirements applicable to products with short-to-medium terms. Whole life insurance products, annuity products and healthcare insurance products may not be designed as products with short-to-medium terms. Supplementary insurance products, such as supplementary universal products and supplementary investment-linked products, must also be evaluated separately to determine whether they are products with short-to-medium terms.



*Regulation of variable annuity insurance.* Variable annuity insurance is a type of insurance where the policy benefits are associated with the price of the investment unit in the linked investment account, and a minimum amount of policy benefits is guaranteed as stipulated in the insurance agreement. Under variable annuity insurance, the insurance company is obliged to pay an annuity or offer an option for the conversion of the insurance proceeds to be annuitized upon maturity. Variable annuity products may not be sold or amended without the prior approval of the CIRC. Variable annuity products must be sold and disclosed in accordance with the requirements of the CIRC.

*Regulation of pension insurance.* A life insurance company or a pension insurance company, as approved by the CIRC, may engage in individual and group pension insurance business. The pension insurance terms and premium rates determined by an insurance company must be filed with or approved by the CIRC in accordance with its regulatory provisions. Other CIRC regulations govern the sale and disclosure terms of pension insurance, as well as the investments by pension insurance funds.

*Regulation of enterprise annuity funds.* Subject to the approval of the PRC Ministry of Human Resources and Social Security, insurance companies may serve as the trustee, account manager and investment manager for enterprise annuity funds. China Life Pension has obtained qualifications to serve as investment manager, trustee and account manager of enterprise annuity fund.

*Regulation of health insurance.* Subject to approval by the CIRC, life insurance companies may engage in health insurance business. Other insurance companies may, subject to approval by the CIRC, engage in short-term health insurance business. Insurance companies engaged in health insurance business are required to submit an actuarial report or reserves assessment report for the preceding year in accordance with the relevant provisions of the CIRC. Insurance companies must also submit a pricing review report to the CIRC before March 15 of each year regarding the short-term health insurance products. Beginning on January 1, 2016, insurance companies may sell health insurance products eligible for preferential individual income tax policies in accordance with the CIRC's relevant requirements in 31 pilot cities, including Beijing, Shanghai, Tianjin and Chongqing. The health insurance products may be offered to taxpayers who have reached the age of 16 but have not reached the statutory retirement age. The expenses incurred by individuals in the pilot cities for purchasing such health insurance products will be deductible from their individual income tax up to RMB 2,400 per year.

*Regulation of accidental injury insurance.* Accidental injury insurance is a type of insurance that uses death or disability caused by accidents or physical injuries stipulated in the insurance agreement as a condition for paying insurance proceeds. Accidental injury insurance products must be developed and managed by the headquarters of the insurance company and filed with the CIRC. Insurance companies must also submit a pricing review report to the CIRC before March 15 of each year regarding the short-term accident insurance products they offer.

*Regulation of foreign exchange denominated insurance.* Insurance companies may seek approval from the CIRC and the SAFE to engage in foreign exchange denominated insurance and reinsurance businesses, allowing them to offer products to non-Chinese policyholders or for non-Chinese beneficiaries, as well as policies covering accidents and illnesses which occur outside China, together with related reinsurance.

*Regulation of supplementary major medical insurance.* As part of the Chinese government's overall medical insurance scheme, supplementary major medical insurance reimburses policyholders for a specified percentage of their medical expenses which are in excess of the maximum amounts covered by the basic social medical insurance as long as such medical expenses are caused by the diseases covered by the basic social medical insurance. The Chinese government has launched pilot supplementary major medical insurance programs in specified areas in China. Local governments in these pilot areas use a portion of the basic medical insurance funds to purchase supplementary major medical insurance service from qualified insurance companies through a government tender. Insurance companies are required to apply to the CIRC for the qualification to engage in such business. Supplementary major medical insurance products must be filed with the CIRC.





**Regulation of investments**

*Permitted investments.* As a Chinese life insurance company, we are subject to restrictions under the PRC Insurance Law and other related rules and regulations on the asset categories and percentages in which we are permitted to invest. On January 23, 2014, the CIRC issued a notice classifying the assets that insurance companies may invest in five broad categories: current assets, fixed-income assets, equity assets, property assets and other financial assets. The notice further specifies the amounts in percentages that may be invested in each asset category, the percentages that correspond to concentration risks for investing in a single item and counter-party, and risk monitoring requirements and early warning mechanisms with respect to liquidity, financing scale and asset classes.

*Asset categories, investment and concentration risk regulatory percentages.* Currently, Chinese life insurance companies are allowed to invest their funds in the following asset categories, subject to the satisfaction of conditions prescribed for each form of investment.

Asset Category	Definition	Specific Items Included	Regulatory Percentage <sup>(1)</sup>	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Current assets	Current assets refer to cash reserves, deposits payable on demand, and highly-liquid assets with shorter terms and less risk of changes in value that can be readily converted into a definite amount of cash.	Domestic items mainly include cash, current deposits, bank call deposits, insurance asset management products on the monetary market, and government bonds, quasi-government bonds and reverse repurchase agreements with residual maturities of one year or less. Overseas items mainly include bank current deposits, monetary market funds, overnight lending, commercial bills, bank bills, negotiable certificates of deposit, reverse repurchase agreements, short-term government bonds, government-backed bonds, bonds of international financial organizations, corporate bonds and convertible bonds with residual maturities of one year or less, as well as other tools or products recognized by the CIRC in this category.	None.	The total outstanding investments by an insurance company in a single legal person <sup>(2)</sup> must not exceed 20% of the total assets <sup>(3)</sup> of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds, and equity investments in insurance enterprises with proprietary funds).



Asset Category	Definition	Specific Items Included	Regulatory Percentage <sup>(1)</sup>	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Fixed-income assets	Fixed-income assets refer to assets characterized by a definite maturity date and payments of interest and principal according to pre-determined interest rates and payment methods, as well as other assets whose main value is dependent on the changes in the value of the aforesaid assets.	Domestic items mainly include term deposits, negotiated deposits, bond funds, fixed-income insurance asset management products, financial institution (company) bonds, non-financial institution (company) bonds and government bonds and quasi-government bonds with residual maturities of more than one year. Overseas items mainly include term deposits, structured deposits with bank guaranteed commitments, securities investment funds with fixed-income commitments, government bonds, government-backed bonds, bonds of international financial organizations, corporate bonds and convertible bonds with residual maturities of more than one year, as well as other tools or products recognized by the CIRC in this category.	None.	<p>The book balance of investment by an insurance company in a single fixed-income asset<sup>(4)</sup> must not exceed 5% of the total assets of the insurance company as at the end of the last quarter, excluding investments in domestic central government bonds, quasi-government bonds and bank deposits.</p> <p>The total outstanding investment by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds and equity investments in insurance enterprises with proprietary funds).</p>

Asset Category	Definition	Specific Items Included	Regulatory Percentage <sup>(1)</sup>	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Equity assets	<p>Equity assets include both listed and unlisted equity assets.</p> <p>Listed equity assets refer to the ownership certificate representing the equity or other residual income rights of enterprises that are publicly listed and traded on stock exchanges or financial asset markets, as well as other assets whose main value depends on the changes in the value of the aforesaid assets.</p> <p>Unlisted equity assets refer to the equity or other residual income rights of enterprises that are established and registered but are not publicly listed on exchanges, as well as other assets whose main value depends on the changes in the value of the aforesaid assets.</p>	<p>Domestic items of listed equity assets mainly include shares, equity funds, hybrid funds and equity insurance asset management products. Overseas items of listed equity assets mainly include ordinary shares, preferred shares, global depositary receipts, American depositary receipts and equity securities investment funds, as well as other tools or products recognized by the CIRC in this category.</p> <p>Domestic and overseas items of unlisted equity assets mainly include equities of unlisted companies, equity investment funds (including venture capital funds) and other related financial products, as well as other tools or products recognized by the CIRC in this category.</p>	<p>The total book balance of investments by an insurance company in equity assets must not exceed 30%<sup>(5)</sup> of the total assets of the insurance company as at the end of the last quarter, and the book balance of significant equity investments must not be higher than the net assets of the insurance company as at the end of the last quarter. The book balance does not include the equity of any insurance enterprise as invested by the insurance company with its</p>	<p>The book balance of investments by an insurance company in a single equity asset must not exceed 5%<sup>(5)</sup> of the total assets of the insurance company as at the end of the last quarter, except as otherwise provided for acquisitions of listed companies and investments in shares of listed commercial banks.</p> <p>The total outstanding investments by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds, and equity investments in insurance enterprises with proprietary funds).</p>

proprietary  
funds.

Asset Category	Definition	Specific Items Included	Regulatory Percentage <sup>(1)</sup>	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Property assets	Property assets refer to purchased or invested land, structures and other land attachments, as well as other assets whose main value depends on the changes in the value of the aforesaid assets.	Domestic items mainly include real estate, infrastructure investment schemes, property investment schemes, property insurance asset management products and other property related financial products. Overseas items mainly include commercial properties, office properties and real estate investment trusts (REITs), as well as other tools or products recognized by the CIRC in this category.	<p>The total book balance of investments by an insurance company in property assets must not exceed 30%<sup>(5)</sup> of the total assets of the insurance company as at the end of the last quarter. The book balance does not include the properties purchased by the insurance company for its own use.</p> <p>The book balance of the properties purchased by an insurance company for its own use must not exceed 50% of the net assets of the</p>	<p>The book balance of investments by an insurance company in a single property asset must not exceed 5%<sup>(6)</sup> of the total assets of the insurance company as at the end of the last quarter, excluding properties purchased for its own use.</p> <p>The total outstanding investments by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds and equity investments in insurance enterprises with proprietary funds).</p>

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insurance  
company as  
at the end of  
the last  
quarter.

Asset Category	Definition	Specific Items Included	Regulatory Percentage <sup>(1)</sup>	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Other financial assets	Other financial assets refer to other kinds of assets that are distinctively different from all the foregoing categories of assets, including in terms of risk-return characteristics, liquidity and other characteristics, and cannot be classified into any of the foregoing categories.	Domestic items mainly include financial products by commercial banks, asset-backed securities offered by banking financial institutions, trust schemes of collective funds offered by trust companies, special asset management schemes offered by securities companies, project asset backed schemes offered by insurance asset management companies and other insurance asset management products. Overseas items mainly include structured deposits without bank guaranteed commitments, as well as other tools or products recognized by the CIRC in this category.	The total book balance of investments by an insurance company in other financial assets must not exceed 25% of the total assets of the insurance company as at the end of the last quarter.	The book balance of investments by an insurance company in a single other financial asset must not exceed 5% of the total assets of the insurance company as at the end of the last quarter, excluding purchase of insurance asset management products within its group.  The total outstanding investments by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds, and equity investments in insurance enterprises with proprietary funds).
Overseas investment	An insurance company is allowed to participate in overseas investments in 25 developed markets and 20 emerging markets in accordance with the relevant requirements of the CIRC.	As referred to in the investable overseas items listed in each of the above asset categories.	The total outstanding overseas investments by an insurance company must not exceed 15% of the total assets of the insurance company as at the end of the last quarter.	The total outstanding investments by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, equity investments in insurance enterprises with proprietary funds).



- (1) When calculating the regulatory percentages for each asset category, an insurance company is required to combine its domestic and overseas investments in assets of the category on a consolidated basis.
- (2) A single legal person refers to a single fund-raising party with legal person status that establishes a direct creditor-debtor or shareholder relationship with an insurance company due to the latter's investment therein.
- (3) Total assets exclude the balance of the funds raised from bond repurchases and the amount of assets under independent accounts (including investment-linked life insurance products, variable annuity products, health care entrusted management products, pension insurance entrusted management products and investment-oriented non-life insurance products without pre-agreed returns).
- (4) Single asset investments refer to the investments in a single specific item under any category of investment assets. Where an investment product is issued in several phases, the book balance of the investment in a single asset is the sum of the investments in each phase.
- (5) An insurance institution that has already taken advantage of relevant policies to increase its holdings of blue-chip stocks must adjust the percentage of investments within two years from January 24, 2017 or within the time limit otherwise provided by relevant regulatory authorities until the percentage requirements under applicable regulatory requirements are met, i.e. the total book balance of investments by an insurance company in equity assets must not exceed 30% of the total assets of the insurance company as at the end of the last quarter, and the book balance of investments by an insurance company in a single equity asset must not exceed 5% of the total assets of the insurance company as at the end of the last quarter.

*Investment risk monitoring percentages.* To alleviate the risks associated with liquidity and high volatility of assets, an insurance company that experiences any of the following circumstances is required to report to the CIRC in a timely manner, and the CIRC will closely monitor the operation of the insurance company and disclose the related information to the public when necessary:

Liquidity monitoring. The total book balance of investments by an insurance company in current assets and government bonds and quasi-government bonds with residual maturities of one year or longer is lower than 5% of the total assets of the insurance company as at the end of the last quarter.

Financing leverage monitoring. The total outstanding borrowings (including inter-industry lending and bond repurchases) of an insurance company exceed 20% of the total assets of the insurance company as at the end of the last quarter.

Monitoring of different categories of assets. The total book balance of investments by an insurance company in domestic bonds with a long-term credit rating of AA or lower as rated by domestic credit rating agencies exceeds 10% of the total assets of the insurance company as at the end of the last quarter, or the total book balance of investments in equity assets exceeds 20% of the total assets of the insurance company as at the end of the last quarter, or the total book balance of investments in property assets exceeds 20% of the total assets of the insurance company as at the end of the last quarter, or the total book balance of investments in other financial assets exceeds 15% of the total assets of the insurance company as at the end of the last quarter, or the total book balance of outstanding overseas investments exceeds 10% of the total assets of the insurance company as at the end of the last quarter.

The book balance of a single inter-group insurance asset management product purchased by an insurance company exceeds 5% of the total assets of such insurance company as at the end of the last quarter.

*Risk Classification of Insurance Assets.* An insurance company must evaluate, at least once every half year, the quality of its insurance assets falling within the categories of fixed-income assets, equity assets and property assets, and divide such assets into five categories based on risk, namely pass, special mention, substandard, doubtful and loss with the last three categories collectively referred to as non-performing assets. Insurance assets that require risk classification include assets invested by the insurance company other than those subject to fair value measurement and changes to these assets are counted as gains or losses for the period in question or owners' equity. An insurance company must establish and improve risk classification systems and working processes for its assets and file reports on such systems and processes with the CIRC. In addition, an insurance company is required to semiannually report to the CIRC the relevant information on the classification of its assets. An insurance company must also establish feasible plans for annual asset loss provisions and write-offs, as well as plans for the disposal of non-performing assets based on its actual operations and the quality of its assets. These plans must be approved by its board of directors and be filed with the CIRC.

*Insurance private equity funds.* Insurance companies are allowed to establish private equity funds that comply with the requirements of the CIRC, including growth funds, buyout funds, funds for strategic emerging industries, mezzanine funds, real estate funds, venture capital funds, and funds of funds (FoF) primarily investing in the aforementioned funds. Insurance companies must register the establishment of private equity funds with the CIRC, and periodically submit quarterly reports, annual reports and other related information to the CIRC during the term of private equity funds.



*Financial derivative products.* Apart from the regulations on the five asset categories described above, the CIRC has separately issued a series of rules governing the operation of domestic and overseas trading of derivative products by an insurance company. Financial derivative products are financial contracts whose value is determined by one or more types of underlying assets, indices or certain events. Typical financial derivative products include forwards, futures, options and swaps.

Insurance companies may participate in derivatives transactions only for the purpose of hedging or averting risks, and not for the purpose of speculation. Legitimate purposes include hedging or averting risks of current assets and liabilities, or the company as a whole, and hedging the risk of assets scheduled to be bought within the next month, or locking in future transaction prices.

Assets scheduled to be bought , as used above, refers to assets that an insurance institution has decided to buy after going through its investment decision-making process. If the assets are not bought within one month of the decision date, or the plan was aborted within the aforementioned period, the insurance institution must terminate, liquidate or unwind the relevant derivative upon the expiration of the prescribed period or within five trading days of such decision.

For an insurer carrying out interest rate swaps, the notional principal may not exceed 10% of its fixed-income assets (including bank deposits, bonds and other debt instruments) as of the end of the previous quarter. The notional principal swapped with the same counterparty may not exceed 3% of such counterparty's fixed-income assets as of the end of the previous quarter.

### ***Solvency requirements***

#### *Solvency I requirements*

From March 2003 to December 31, 2015, we were required to calculate and report our solvency ratio, a standard developed by the CIRC to measure the financial soundness of life insurance companies to provide better policyholder protection under a system of corrective regulatory action. The standard for calculation of solvency ratio was further revised by the CIRC in September 2008. The solvency ratio of an insurance company under this standard was a measure of capital adequacy calculated by dividing the actual capital of the company (which is the admitted assets less admitted liabilities, determined in accordance with relevant CIRC rules) by the minimum capital it is required to meet.

Under this standard, the minimum capital of a life insurance company was the sum of its minimum capital for its short-term business (policies having a term of one year or less from the date of issuance) and the minimum capital for its long-term business (policies having a term of more than one year from the date of issuance). The standard for calculation of the minimum capital was further revised by the CIRC in January 2010. In January 2013, the CIRC issued the standard for calculation of the minimum capital for supplementary major medical insurance. In August 2013, the standard for calculation of the minimum capital with respect to the total sums at risk under long term life insurance policies was revised by the CIRC. In April 2014, the CIRC issued the standard for calculation of the minimum capital for high cash value products.

The minimum capital for a life insurance company's short-term business was the sum of the minimum capital for supplementary major medical insurance and the higher of:

18% of the portion of net premiums received in the most recent fiscal year net of business tax and other surcharges which is not in excess of RMB 100 million, plus 16% of the portion which is in excess of RMB 100 million; and

26% of the portion of the average annual claims payments during the most recent three fiscal years which is not in excess of RMB 70 million, plus 23% of the portion which is in excess of RMB 70 million.

The minimum capital for its long-term business was the sum of:

4% of the period-end reserves for insurance risks after unbundling of mixed insurance contracts;

4% (if the annual premium revenue from high cash value products is not more than the base amount) or 6% (if the annual premium revenue from high cash value products is more than the base amount) of the period-end reserves for insurance contracts of high cash value products;

4% of the period-end reserves for other insurance contracts;

1% of the liabilities for other risks after unbundling of investment-linked insurance contracts and variable annuity insurance contracts;

4% (if the annual premium revenue from high cash value products is not more than the base amount) or 6% (if the annual premium revenue from high cash value products is more than the base amount) of the liabilities for other risks after unbundling of hybrid insurance contracts for high cash value products;

4% of the liabilities for other risks after unbundling of other mixed insurance contracts;

4% of the liabilities for insurance policies which do not pass the tests for significant insurance risks;

0.15% of the total sums at risk under life insurance contracts;

0.24% of the total sums at risk under health insurance contracts;

0.06% of the total sums at risk under accident insurance contracts; and

0.3% of the total sums at risk under other insurance contracts.

An insurance company with a solvency ratio below 100% could be subject to a range of regulatory actions by the CIRC. The CIRC may in such situations require the insurance company to, among other things, raise additional share capital, limit paying dividends on its shares, limit the remuneration and expense accounts of its directors and senior management, restrict its advertising activities, restrict the establishment of branch offices and business operations, cease any new business development, transfer its insurance business to others or seek reinsurance of its insurance obligations, sell its assets or restrict the acquisition of fixed assets, limit the channels for using its capital, change its management team or put the insurer into receivership.

*C-ROSS requirements*

On January 1, 2016, the CIRC implemented a new set of solvency regulations, the China Risk Oriented Solvency System, or C-ROSS, which replaced Solvency I.

C-ROSS adopts the internationally accepted three-pillar regulatory system while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. The three pillars are:

Pillar I: quantitative capital requirements which aim to prevent quantifiable risks, and include quantifying capital requirements, criteria for assessment and recognition of actual assets and liabilities, capital classification, stress tests and regulatory measures to be imposed on the insurers which fail to meet the quantitative capital requirements.

Pillar II: qualitative regulatory requirements which aim to prevent unquantifiable risks, and which include an integrated risk rating, requirements on assessment and management of risks by the insurers, and regulatory inspection and analysis and regulatory measures to be imposed on the insurers which fail to meet the qualitative regulatory requirements.

Pillar III: market discipline mechanisms which aim to involve, through sufficient information disclosure systems and other means, market players including the public, customers, rating agencies and industry analysts by introducing mechanisms through which they will play an important role in the solvency supervision process.

Under C-ROSS, the three indicators to measure the solvency ratio of an insurer include the following:

the core solvency adequacy ratio, which is calculated by dividing the core capital of an insurer by the minimum capital it is required to meet;

the comprehensive solvency adequacy ratio, which is calculated by dividing the sum of core capital and supplementary capital of an insurer by the minimum capital it is required to meet; and

an integrated risk rating, which is a comprehensive rating system that the CIRC uses to evaluate an insurer's overall solvency based on both quantitative assessments on quantifiable risks in Pillar I and qualitative risk assessments on unquantifiable risks in Pillar II.

The core solvency adequacy ratio and comprehensive solvency adequacy ratio of an insurer reflect the capital adequacy for quantifiable risks of such insurer, and the integrated risk rating reflects the overall solvency risks of such insurer.

The actual capital of an insurer is admitted assets less admitted liabilities, determined in accordance with relevant rules under C-ROSS. The actual capital is classified into core capital and supplementary capital, depending on the loss absorbing capacity and features of such capital. The minimum capital of an insurer is the capital that the CIRC requires it to meet.





Under C-ROSS, solvency risks are classified into inherent risk and control risk. Inherent risk refers to the risks that are unavoidable in the writing of insurance business. Control risk refers to the risks of failure to identify, evaluate and manage control inherent risk timely due to imperfections in the internal management and control process. Inherent risk includes both quantifiable risks and unquantifiable risks.

Quantifiable risks include the following:

Insurance risk, which includes life insurance risk and non-life insurance risk;

Market risk, which includes interest rate risk, equity price risk, property price risk, overseas assets price risk and foreign exchange risk; and

Credit risk, which includes spread risk and default risk.

Unquantifiable risks include the following:

Operation risk;

Reputation risk;

Strategy risk; and

Liquidity risk.

The minimum capital requirement for quantifiable risks is determined using a value at risk approach. The minimum capital requirement for control risk is determined based on solvency aligned risk management requirements and assessment.

The CIRC comprehensively evaluates the inherent risk and control risk of an insurer and determines an integrated risk rating of solvency risks. Insurers will then be classified into the following four supervision categories:

Category A: an insurer's solvency adequacy ratio meets the CIRC requirement, and its risk level is very low for the four unquantifiable risks;

Category B: an insurer's solvency adequacy ratio meets the CIRC requirement, and its risk level is low for the four unquantifiable risks;

Category C: an insurer's solvency adequacy ratio does not meet the CIRC requirement, or an insurer's solvency adequacy ratio meets the CIRC requirement but its risk level is high for one or more of the four

unquantifiable risks; or

Category D: an insurer's solvency adequacy ratio does not meet the CIRC requirement, or an insurer's solvency adequacy ratio meets the CIRC requirement but its risk level is serious for one or more of the four unquantifiable risks.

The CIRC applies different regulatory policies to each of the four supervision categories with respect to, among others, market access, product management, use of insurance funds and on-site inspection.

Category B insurer may be subject to a range of regulatory actions by the CIRC, including, among others, risk alert, supervisory conversation, rectification of identified problems within a specified deadline, on-site inspection or request to submit and implement plans to prevent insolvency or improve risk management.

If a Category C insurer does not meet the solvency adequacy ratio required by the CIRC, the CIRC may in such situations require the insurer to, in addition to the regulatory actions for category B, adjust its business structure, restrict business expansion and increase in assets, restrict the establishment of branch offices, restrict its commercial advertising activities, limit its business scope, transfer its insurance business to others or seek reinsurance of its insurance obligations, adjust investment portfolios or counterparties, limit its channels or percentages of investment, raise additional share capital, limit paying dividends on its shares, limit the remuneration of its directors and senior management or change its management team. If an insurer of category C meets the solvency adequacy ratio as required by the CIRC but its risk level is high for one or more of the four unquantifiable risks, the CIRC may take specific regulatory actions that target on the respective issues of each insurer.

For a Category D insurer the CIRC may, in addition to the regulatory actions for category C, require such insurer to rectify or cease part or all new business, put the insurer into receivership or take other regulatory actions as determined by the CIRC.

Based on the latest evaluation results released by the CIRC for the fourth quarter of 2016, we were classified as a Category A insurer.

Our core solvency adequacy ratio as of December 31, 2016 was 280.34%, and our comprehensive solvency adequacy ratio as of December 31, 2016 was 297.16%.

### ***Statutory deposits***

Insurance companies in China are required to deposit an amount equal to 20% of their registered capital with at least two qualified commercial banks, each of which must, among other things, have net assets of no less than RMB 20 billion as of the end of the previous year and have no affiliated relationship with the insurance company. These funds may not be used for any purpose other than to pay off debts during a liquidation proceeding. Insurance companies must choose more than two qualified commercial banks as statutory deposit banks and the statutory deposit period must be for a minimum of one year. In addition, when an insurance company deposits the statutory funds for a business opening or capital increase, renews the deposit upon maturity or transfers the deposit to another bank, changes the nature of the deposit upon maturity or withdraws the deposit before maturity, the insurance company must file with the CIRC within 10 business days after these funds are duly deposited.

### ***Statutory insurance fund***

Chinese life insurance companies are required to contribute to a statutory insurance fund 0.15% of the premiums for life insurance with guaranteed earnings and 0.05% of the premiums for life insurance without guaranteed benefits; 0.8% of insurance premiums for short-term health insurance and 0.15% of insurance premiums for long-term health insurance; 0.8% of the premiums for non-investment accident insurance, 0.08% of the premiums for investment accident insurance with guaranteed benefits, and 0.05% of premiums for investment accident insurance without guaranteed benefits. Contributions are not required once the balance of the statutory insurance fund of a life insurance company reaches 1% of the company's total assets.

### ***Statutory reinsurance***

Insurance companies are required to reinsure, for any single risk, the excess of the maximum potential liability over an amount equal to 10% of the sum of paid-in capital and capital reserves.

### ***Actuaries***

Insurance companies are required to employ actuarial professionals and establish a system for actuarial reporting.

### ***Regulation of corporate governance***

*Directors and senior management qualification and remuneration management requirements.* Directors, supervisors and senior management of an insurance company are subject to qualification requirements implemented by the CIRC. In addition, the cash benefits, subsidies and allowances that an insurance company pays to its directors, supervisors and senior management annually must not exceed 10% of their respective base remuneration. Where an insurance company has inadequate solvency, the CIRC will place restrictions on the remuneration of its directors, supervisors and senior management in accordance with relevant regulatory rules on solvency. The senior management of an insurance company receive in-office audits once every three years. If any member of the senior management leaves due to a job change, promotion or any other reasons, a departure audit must be conducted.

*Risk management.* Insurance companies must establish and adopt procedures, organizational structures, systems and measures to identify, evaluate and control the risks involved in its insurance operation. Insurance companies must report to the CIRC in a timely manner any major risks, and include in its annual report an annual risk evaluation report reviewed by the board of directors. In addition, as required by the CIRC, an insurance company that conducts certain activities, such as direct share investments, equity investments, real estate investments, investments in unsecured bonds, development of infrastructure investment schemes and real estate investment schemes and use of derivatives, must have at least two qualified risk officers. Where an insurance company decides to change a risk officer, impose disciplinary sanctions on a risk officer, dismiss a risk officer or terminate the employment of a risk officer, the insurance company must replace such risk officer within 10 business days from the date of the decision, and report to the CIRC the reasons for such replacement.

*Asset-liability management.* An insurance company that falls under any of the following categories must conduct asset allocation stress tests to assess the impact of its asset-liability match on its return on assets or ROA, cash flow and solvency, and submit stress test reports to the CIRC: (1) in the case of a P&C insurance company, the outstanding investment amount of its investment insurance products with pre-determined returns accounts for over 30% of its total assets as at the end of the last quarter, and the equity and real estate assets and other financial assets in its asset allocation together account for over 20% of its total assets as at the end of the last quarter; (2) in the case of a life insurance company, the average holding period of its liabilities is shorter than five years, and the equity and real estate assets and other financial assets in its asset allocation together account for over 20% of its total assets as at the end of the last quarter; or (3) in the case of a life insurance company, the ROA of at least one of its accounts for ordinary insurance products, participating insurance products and universal insurance products is less than the capital cost of insurance products. The CIRC, through off-site supervision and on-site investigations, evaluates the asset-liability management level and stress test results of insurance companies, and where necessary, may take regulatory measures against insurance companies, such as raising the percentage of liquid assets held by these insurance companies, limiting the channels or percentages for fund use, restricting the sales of relevant insurance products, and ordering the shareholders of these insurance company for financial support.

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*Compliance management.* Insurance companies must prevent, identify, evaluate, report and manage compliance risks by taking measures such as setting up a compliance department, formulating and implementing compliance policies (which are required to be filed with the CIRC), exercising compliance monitoring and providing compliance trainings, so as to ensure compliance by the company, its staff and sales agents with the relevant laws and regulations, rules of regulatory authorities, industrial self-regulatory rules, internal management systems and codes of ethics. An annual compliance report must be submitted to the CIRC by April 30 each year. Each insurance company is required by the CIRC to appoint a compliance officer and establish a compliance management department in its head office. Beginning from June 1, 2016, where the proposed compliance head of an insurance company for whom the insurance company has applied for approval of post-holding qualifications also serves in other senior management positions, the insurance company must submit a statement that the proposed compliance head will not also manage a business or financial department during his or her term of office. The Measures for Compliance Management of Insurance Companies issued in December 2016, which are effective from July 1, 2017, further require that beginning from July 1, 2017, the headquarter and provincial branches of an insurance company must each set up a compliance management department. Where the proposed compliance head of an insurance company for whom the insurance company has applied for approval of post-holding qualifications is to be served by a senior management person other than the general manager, the insurance company must submit a statement that the proposed compliance head will not also manage departments that may be in conflict with his or her responsibilities for compliance management, such as those for business, finance, fund use and internal audit during his or her term of office. As of the date of this annual report, we have set up a compliance management department, established compliance standards and appointed a compliance officer whose qualification has been approved by the CIRC.

*Related party transactions.* According to applicable CIRC regulations, related party transactions between an insurance company and any of its related parties are classified as either material related party transactions or ordinary related party transactions. The term material related party transactions refers to any single transaction between an insurance company and a related party in which the trading volume accounts for 1% or more of the insurance company's net assets as of the end of the previous year and has a value of more than RMB 5 million, or transactions between an insurance company and a related party in which the accumulative trading volume within one fiscal year accounts for 10% or more of the insurance company's net assets as of the end of the previous year and has a value of more than RMB 50 million. The term ordinary related party transactions refers to all related party transactions other than material related party transactions. A material related party transaction is subject to approval by the insurer's board of directors (the related board resolutions must be adopted by at least two-thirds of all non-affiliated directors, except for any related party transactions between an insurance group (holding) company and its insurance subsidiaries, as well as between and among its insurance subsidiaries themselves) or shareholders, while an ordinary related party transaction must be reviewed in accordance with the internal authorization process of the insurance company. An insurance company is required to maintain a system to manage related party transactions and file them with the CIRC. Companies must take effective measures to prevent their shareholders, directors, supervisors, senior management and other related parties from taking advantage of their positions and acting against the interests of the company or the insured through related party transactions. In addition, an insurance company is required, within 10 business days after the conclusion of the transaction agreements (or within 10 business days from the occurrence of the relevant event if no transaction agreement is concluded), to report to the CIRC and make an announcement on its website and the website of the Insurance Association of China if it conducts certain related party transactions, including, among others, transactions relating to investments of insurance funds and transactions that involve transfers of interests above a specified amount. In respect of any information that could not be publicly disclosed as it involves state secrets or commercial secrets or due to other relevant reasons, the insurance company must, at least five business days prior to the prescribed date of information disclosure, report this fact to the CIRC and refrain from disclosing such information as required by law.

*Internal audit.* Insurance companies are required to establish an independent department for internal audit purposes, staffed with sufficient internal audit personnel (the number of full-time internal audit personnel generally must not be less than 5% of the total number of the company's employees), establish an audit committee, and designate an audit controller whose appointment and replacement must be filed with the CIRC. An internal audit report must be submitted to the CIRC by April 30 of each year and any major risk identified during the internal audit process must be reported to the CIRC in a timely manner.

*Reporting and disclosure requirements.* An insurance company must submit to the CIRC an operating report, an actuarial report, its financial statements, a solvency report and a compliance report, each prepared in accordance with applicable rules. By April 30 of each year, an insurance company must disclose on its website and a newspaper designated by the CIRC an annual report including, among other things, financial statements and solvency data for the previous year. In addition, within 10 business days after the occurrence of a material related party transaction or other material events, an insurance company must disclose information about such transactions and events on its website.

*Internal control assessment.* In January 2006, the CIRC issued tentative rules on internal control assessment of life insurance companies to facilitate and supervise the companies and improve their awareness of, and strengthen their controls over, matters such as corporate governance in management, internal controls and regulatory compliance in operations and risk management. Life insurance companies are required to submit to the CIRC an internal control assessment form and an annual internal control assessment report each year. The CIRC assesses the internal control of life insurance companies at least every three years, covering at least one third of all life insurance companies each year. Under the Basic Guidelines for Internal Controls in Insurance Companies issued by the CIRC in August 2010 and the Measures for Compliance Management of Insurance Companies issued by the CIRC in December 2016, which are effective from July 1, 2017, an insurance company must establish an internal control evaluation system in various operations including sales, operation, basic management and fund use, and by April 30 of each year, submit to the CIRC an evaluation report on its internal control. In addition, where the CIRC deems necessary, the CIRC may collect information reflecting the corporate governance of insurance companies, establish an information database of insurance companies' governance, and conduct governance ratings for insurance companies through on-site or off-site investigations, media reports, assessments of independent rating agencies and public disclosure by insurance companies. The CIRC may take regulatory measures against insurance companies based on the rating results, including interviews, a risk warning in writing and rectifications within a specified period.

*Custody of insurance assets.* In October 2014, the CIRC and CBRC jointly issued a notice on regulating the insurance assets custody business. Under this notice, insurance companies are required to establish and improve mechanisms for the custody of insurance assets, select qualified commercial banks and other professional institutions, place various assets generated by the investment of insurance funds under third-party custody and oversight, and ensure that the revenue and expenditure concerning the use of insurance funds (except for expenditure of daily expenses) are primarily processed through the custody fund accounts. Insurance companies are required to submit implementing plans relating to the custody of their insurance assets to the CIRC.

### ***Market conduct***

Insurance companies are required to take steps to ensure that sales promotional materials used by their sales representatives and agents are objective, true and correct, with no material omissions or misleading information, contain no forecasts of benefits that are not guaranteed under the insurance or annuity product and do not exaggerate the benefits provided under the insurance or annuity product. The sales promotional materials must also highlight in an appropriate fashion any exclusions of coverage or liability in their products, as well as terms providing for policy or annuity surrenders and return of premiums. If any insurance policy or consulting service is provided through telephone sales, requisite office space, staff, facilities and adequate supervising must be furnished. In addition, the telephone sale must be conducted directly by the insurance company, and the terms and rates of the premiums of the insurance policy and geographic business area must be submitted to the CIRC for approval.



Insurance companies are subject to extensive regulation against any anti-competitive behavior or unfair dealing conduct. They may not pay insurance agents, the insured or the beneficiary any rebates or other illegal payments, nor may they pay their agents commissions over and above the industry norm.

Insurance companies are required to establish internal rules and procedures to protect the personal data of policyholders and insureds. Insurance companies are prohibited from illegal obtaining, using or selling of the personal data of policyholders and insureds.

Insurance companies are also required to comply with anti-money laundering regulations and establish internal operational procedures and anti-money laundering control systems. No insurance activity can be conducted for the purpose of illegal fundraising.

***Regulation of issuance of subordinated debt***

Beginning in September 2004, insurance companies that meet a series of qualification tests and are approved by the CIRC may issue subordinated debt with a fixed term of at least five years to certain qualified Chinese legal persons and foreign investors. The audited net asset value of the issuer must be at least RMB 500 million as of the end of the prior year and the total amount of unpaid debt at any given point after the issuance, including both principal and interest, must not exceed the issuer's net asset value as of the end of the prior year. Proceeds from the issuance of subordinated debt may be recorded as supplementary capital of an insurance company, provided that the total amount that has been recorded as supplementary capital may not exceed 50% of the net assets of an insurance company. Proceeds from the issuance of subordinated debt may not be used to offset daily operating losses of an insurance company. The issuer must comply with certain disclosure obligations both at the time of the issuance and during the term of the debt. The issuer may repay the debt only if its solvency ratio would remain at least 100% after the repayment of both principal and the interest. Since March 15, 2013, a qualified insurance group (or holding) company is also allowed to issue subordinated debt in accordance with the relevant requirements of the CIRC.

Beginning in May 2012, publicly listed insurance companies that meet a series of qualification tests and are approved by the CIRC may issue subordinated convertible bonds. Subordinated convertible bonds refer to bonds issued by an insurance company in accordance with statutory procedures that satisfy the following conditions: the bonds have a maturity of five years or longer; the principal and interest of the bonds shall be repaid and paid after insurance policy liabilities and other general liabilities in the event of bankruptcy liquidation; and the bonds can be converted into shares of the insurance company in accordance with the agreed conditions within a certain period of time. An insurance company must submit an issuance application to the relevant securities regulatory authority within six months after the CIRC has approved the issuance of subordinated convertible bonds. An issuer must report the issuance information to the CIRC within ten working days after completion of the issuance of subordinated convertible bonds.



***Regulation of merger and acquisition of insurance companies***

An insurance company may apply to the CIRC for approval of the acquisition of control of another insurance company through the acquisition of equity or shares of the other insurance company. Except under special circumstances, such as a transfer between affiliated parties under common control, the acquiring party is not allowed to transfer the acquired equity or shares in the target insurance company within three years from the completion of the acquisition. Upon approval by the CIRC, the acquiring party may control two insurance companies engaging in the same type of business after the completion of acquisition. In addition, an insurance company may apply to the CIRC for approval for the merger with other insurance companies by absorption or establishing a new insurance company. The business scope of the insurance company subsequent to the merger is subject to the re-approval by the CIRC. An insurance company must, during the twelve-month period after the completion of merger or acquisition, report the following information in writing to the CIRC within the first 30 days of each quarter: making investments in and purchases or sales of material assets, related party transactions, business transfers, notifications to insurance consumers, public announcements, changes of senior management personnel and employee placements.

***Regulation of establishment and management of non-insurance subsidiaries***

An insurance company may apply to the CIRC for approval for the direct or indirect establishment of domestic or overseas non-insurance subsidiaries (excluding insurance companies, insurance asset management institutions, dedicated insurance agencies, insurance brokerage institutions and insurance assessment institutions), primarily including: (1) financial institutions that engage in non-insurance financial services; (2) service firms that provide various supporting services to insurance companies; (3) investment platform companies with a strong connection with an insurance business, project companies established for managing the investment of insurance funds in real properties, and companies formed as a result of the investment of insurance funds in the upstream and downstream industry chain of an insurance business; and (4) other types of companies without connection with an insurance business. Unless otherwise prescribed by laws, administrative regulations and the CIRC, an insurance company is not allowed to guarantee the debts of its non-insurance subsidiaries, or lend funds to its non-insurance subsidiaries. An insurance company must build firewalls between its non-insurance subsidiaries in terms of personnel, capital, business and information to prevent risks spreading from its non-insurance subsidiaries. An insurance company must also cause its non-insurance subsidiaries to establish and improve their respective information disclosure systems, and submit to the CIRC an annual report on its non-insurance subsidiaries by April 30 of each year.

***Regulation of establishment of overseas insurance institutions***

An insurance company may apply to the CIRC for approval for the establishment of overseas branches, overseas insurance companies and overseas insurance intermediaries, or the acquisition of overseas insurance companies or intermediaries. In order to submit such an application, an insurance company must have an operating history of no less than two years, total assets of no less than RMB 5 billion as at the end of the prior year and foreign exchange funds of no less than US\$ 15 million or its equivalent in other freely convertible currencies as at the end of the preceding year. The applicant insurance company must also comply with applicable solvency, risk management and other requirements as stipulated by the CIRC.

***Compliance with regulatory requirements***

Our management confirms that we have complied in all material respects with all applicable regulatory requirements set out above.

### ***Regulation of Foreign-Invested Insurance Companies***

China acceded to the WTO on December 11, 2001. As a result of China's commitments in connection with the accession, the Chinese insurance market is gradually opening up to foreign insurers and insurance-related service providers. A foreign life insurer with total assets of no less than US\$ 5,000 million and 30 years of industry experience in any WTO member country, and which has had a representative office for two years in China, is permitted to form a life insurance joint venture with a domestic partner of its choice. Foreign life insurers may own up to one-half of the joint venture. In addition, the geographic limitation on foreign life insurers, which were permitted to operate only in specified cities, has been lifted since December 11, 2004. Accordingly, foreign life insurers have been permitted to provide group life insurance, health insurance and annuity and other pension-like products since December 11, 2004. In addition, since December 11, 2006, foreign insurance brokers have been permitted to set up wholly owned subsidiaries in China.

Foreign-invested insurance companies, including Sino-foreign equity joint ventures, wholly foreign-owned insurance companies and branches of foreign insurance companies, are generally regulated in the same manner as domestic insurance companies. Without the approval of the CIRC, foreign-invested insurance companies may not engage in asset purchases and sales or other transactions with their affiliates, but may engage in outward and inward reinsurance with their affiliates. In addition, where the foreign-invested insurance company is a branch of a foreign insurance company, it is required to notify the CIRC of fundamental events relating to the foreign insurance company within ten days following the occurrence of the event. Reportable events include: (1) a change of name, senior management or jurisdiction of incorporation of the foreign insurance company, (2) a change in the foreign insurance company's share capital, (3) a change in any person beneficially owning 10% or more of the foreign insurance company's shares, (4) a change in business scope, (5) the imposition of administrative sanctions by any applicable regulatory authority, (6) a material loss incurred by the foreign insurance company, (7) a spin-off, merger, dissolution, revocation of corporate franchise or bankruptcy involving the foreign insurance company and (8) other events specified by the CIRC. If the foreign insurance company is dissolved, or its corporate franchise is revoked or it is declared bankrupt, the Chinese branch of the foreign insurance company will be prohibited from conducting any new business.

Beginning in June 2012, the CIRC has delegated certain authorities with respect to foreign-invested insurance companies to its provincial and local branch offices: approving the change of place of business of branches and subsidiaries of foreign-invested insurance companies; approving the establishment of subsidiary agencies of foreign-invested insurance companies below the branch-office level; approving the opening of subsidiary agencies of foreign-invested insurance companies below the branch-office level; and approving the qualification of senior management personnel of subsidiary agencies of foreign-invested insurance companies below the branch-office level.

### ***Regulation of Insurance Asset Management Companies***

An insurance asset management company is a limited liability company or joint stock company that manages insurance funds on behalf of others. Insurance asset management companies are regulated by the CIRC.

#### ***Minimum capital requirements***

The registered capital of an insurance asset management company may not be lower than RMB 100 million or the equivalent amount of other freely convertible currencies.

### ***Business operations***

An insurance asset management company may conduct the following businesses: (1) managing funds in Renminbi or other foreign currencies entrusted to it, including insurance funds, funds of pension, annuity and housing provident institutions, as well as funds of other qualified investors that are capable of identifying and undertaking corresponding risks; (2) managing and operating its own insurance funds in Renminbi or foreign currencies; (3) as trustee, carrying out asset management business appointed by and on behalf of the trustor, or developing asset management products for the interest of the beneficiary or for specific purposes and carrying out asset management business; (4) applying to relevant financial regulatory authorities to carry out publicly-raised asset management business in accordance with the law, provided that relevant conditions are met; (5) as approved by the CIRC, issuing relevant asset management products to domestic insurance groups or holding companies, insurance companies, insurance asset management companies and other qualified investors capable of identifying and bearing the applicable risk; and (6) other businesses approved by the CIRC or other departments of the State Council.

The investments of the insurance funds by insurance asset management companies are subject to the same requirements and limitations applicable to the investments by the insurance companies themselves. With the regulatory expansion of insurance company investment powers, the investment powers of insurance asset management companies over their own funds have been expanded as well to cover subordinated bonds issued by banks and insurance companies and bank subordinated bonds.

In connection with the funds being managed by an insurance asset management company, a custodian is required to be appointed. The custodian must be an independent commercial bank or financial institution satisfying applicable CIRC requirements.

### ***Shareholding restrictions***

At least 75% of the shares of an insurance asset management company must be owned by domestic insurance companies, and at least one of the shareholders of an insurance asset management company must be an insurance company or insurance holding company satisfying specified requirements.

### ***Investment risk control***

Both insurance companies and asset management companies must establish structures, arrangements and measures to recognize, assess, manage and control investment risks. Members of senior management may not be responsible for the management of departments in charge of investment decisions, investment transactions and risk controls at the same time. Branches of insurance companies may not manage insurance funds. Insurance asset management companies must arrange for separate investment managers to manage their own funds and the insurance funds from other insurance companies, as well as insurance funds from an insurance company that are of a different nature.

### ***Major emergency response management***

An insurance asset management company is required to establish a monitoring and precaution mechanism for major emergencies.

### ***Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries***

Insurance agents are business entities or individuals which or who act on behalf of an insurance company in respect of insurance matters. An insurance company is responsible for the acts of its agents when the acts are within the scope of their agency. Licensed insurance agencies fall into two groups: dedicated agencies and non-dedicated agencies.

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A dedicated agency is a company (and its branches) organized under the PRC company law whose principal business is to act as an agent of insurance companies. Dedicated agencies are subject to minimum capital and other requirements, and their business is generally limited to insurance-related activities.

A non-dedicated agency is a business entity whose principal business is other than as an insurance agency. To receive a license, the agency business must have a direct relationship with its principal business, which the CIRC has interpreted as permitting commercial banks and banking operations of post offices to act as non-dedicated insurance agencies. Sales representatives of insurance companies are prohibited from selling insurance products at the outlets of commercial banks or banking operations of post offices. The bancassurance management personnel of insurance companies are responsible for providing services (including training and the exchange of documents) to commercial banks and assisting commercial banks to provide related customer services, such as the payment of maturity benefits and handling of renewal fee after selling insurance products.

Prior to August 3, 2015, individual insurance agents, representatives of insurance agencies and insurance brokers were required to obtain qualification certificates issued by the CIRC. Under such CIRC regulations, we were subject to sanctions if we retained exclusive agents without CIRC qualification certificates, and policyholders who bought insurance policies through our unqualified agents were allowed to cancel the policies under some circumstances. On August 3, 2015, the CIRC issued a Notice on the Administration of Insurance Intermediary Personnel, effective on the same day. Under the new regulations, the CIRC cancelled the requirements on qualification certificates or practice certificates for individual insurance agents, representatives of insurance agencies and insurance brokers, with the effect that insurance companies are now only required to complete registration for their individual insurance agents in the insurance intermediary regulatory information system maintained by the CIRC. In addition, insurance companies are required to take adequate measures to ensure the good conduct and professional competence of their individual insurance agents, representatives of insurance agencies and insurance brokers.

All insurance agencies and agents are required to enter into agency agreements that specify the duration of the agency; the amount of the agency fee and the method of payment; the scope of the agency, including the insurance products to be marketed; and other relevant matters. Absent specific CIRC approval, insurance agents are prohibited from signing insurance and annuity products on behalf of the insurance companies they represent. None of our agents is authorized to sign insurance policies or annuity contracts for us.

Insurance agencies are required to open special accounts for the handling of funds that they hold or collect for the insurance companies they represent. They may not engage in the following activities: dealing with unauthorized insurers or insurance intermediaries, engaging in activities beyond their authorized business scope or geographical area, causing injury to the rights of the insurance companies they represent, spreading rumors or otherwise injuring the reputation of others in the insurance industry, misappropriating the funds of the insurance companies they represent, defrauding insurance customers through false or misleading representations or material omissions, using undue influence to induce insurance customers to purchase insurance, or defrauding the insurance companies they represent through collusion with the insured or the insurance beneficiary. In addition, dedicated insurance agencies are subject to various reporting requirements, including submission of annual financial reports, and are subject to supervision and examination by the CIRC.

Insurance brokers who represent individuals and companies purchasing insurance and other intermediaries are subject to similar regulatory requirements regarding their activities. Among other things, they are subject to supervision and examination by the CIRC, and fundamental corporate changes must be approved by the CIRC. Only companies organized under the PRC company law and meeting requirements set by the CIRC are authorized to act as insurance brokers. Insurance brokers are required to comply with standards prescribed by the CIRC. Insurance brokerage agencies must provide training to their brokerage personnel regarding insurance laws and provide education on ethics and other matters.

### ***Regulation of Internet Insurance Businesses***

Insurance companies and intermediaries are allowed to carry out an Internet-based insurance business, including sales, underwriting, claims settlement, policy surrender, complaint handling, customer services and other insurance business activities, through proprietary network platforms or third-party network platforms that meet the relevant requirements prescribed by the CIRC. Insurance companies and intermediaries that carry out an internet-based insurance business must set up an information disclosure column on their official websites, disclosing the related website names and addresses, internet insurance products, existing branches, customer services and ways for consumers to make complaints. The CIRC is required to carry out regulation and on-site inspection of an internet insurance business, and may take rectification measures against insurance companies and intermediaries that conduct operations in violation of the regulations. Insurance companies engaging in internet-based guaranteed insurance businesses, which use internet credit lending platforms as intermediaries to provide both the borrowers (i.e. insurance applicants) and the lenders (i.e. the insured) on such platforms with guaranteed insurance services, must comply with regulatory requirements on solvency, verify the qualifications of insurance applicants in a prudent manner, clarify the information disclosure obligations of the internet platforms, enhance product management and adhere to other compliance requirements stipulated by the CIRC.

### ***No.2 Interpretation of Accounting Standard for Business Enterprises***

On August 7, 2008, the MOF issued the No.2 Interpretation of Accounting Standard for Business Enterprises, requiring listed companies which issue both H shares and A shares to adopt consistent accounting policies to recognize, calculate and report a particular transaction in their H share financial statements and A share financial statements, except for certain differences in relation to the reversal of impairment losses of long-term assets and disclosures in relation to related party transactions.

On January 5, 2009, the CIRC issued the Notification on the Implementation of the No.2 Interpretation of Accounting Standards for Business Enterprises in the Insurance Sector (No.1 [2009] of CIRC), which requires insurance companies to make appropriate changes to their accounting policies that cause differences between onshore and offshore financial statements when preparing their 2009 annual financial statements, such that the same accounting policies and estimates will apply to a particular transaction.

On December 22, 2009, the MOF issued the Notification on the Promulgation of the Regulations regarding the Accounting Treatment of Insurance Contracts, which regulates issues relating to, among other things, the unbundling of mixed insurance contracts, tests for significant insurance risks and the calculation of reserves for insurance contracts, and requires insurance companies to comply with these requirements beginning with the preparation of their financial statements for the year ended December 31, 2009. The accounting treatment of any transaction item adopted in previous year which differs from those set out in the MOF's regulations must be retrospectively adjusted, unless any such adjustment is not practicable under the circumstances.

### ***Implementation of VAT***

In March 2016, the PRC State Council approved the expansion of the scope of Value Added Tax, or VAT, to several key sectors including real estate, construction, financial services and lifestyle services, effective May 1, 2016. Therefore, our primary business has been subject to 6% VAT from May 1, 2016 instead of the 5% business tax, or BT, which previously had applied to our business. The implementation of VAT has had an effect on our business and operations, including, among other things, our product development and pricing, finance management, management of receipts and IT systems. However, our management believes that the implementation of VAT has not had any known material impact on our overall operating results and financial conditions.



*Audit by the PRC National Audit Office*

In 2015, the National Audit Office of the People's Republic of China, or the NAO, conducted a routine audit on the assets, liabilities and profits and losses of CLIC and its subsidiaries (including China Life) for the year of 2014. On June 29, 2016, the NAO released on its website the audit results. We believe that the issues identified in the audit have no material impact on our overall operating results, financial statements and internal control over financial reporting. We disclosed the audit results on Form 6-K filed with the SEC on June 29, 2016.



### **C. ORGANIZATIONAL STRUCTURE**

**The following is our simplified corporate structure as of the date of this annual report:**

- (1) Wholly owned by CLIC
- (2) Formerly known as China Life Asset Management (Hong Kong) Company Limited

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**List of Significant Subsidiaries**

Name of Subsidiary	Jurisdiction of Incorporation	Proportion of Ownership Interest
		Owned by China Life
China Life Asset Management Company Limited	The People's Republic of China	60% (directly)
China Life Franklin Asset Management Company Limited <sup>(1)</sup>	Hong Kong	50% <sup>(2)</sup> (indirectly through affiliate)
China Life Pension Company Limited	The People's Republic of China	74.27% <sup>(3)</sup> (directly and indirectly through affiliate)
China Life AMP Asset Management Co., Ltd.	The People's Republic of China	85.03% <sup>(4)</sup> (indirectly through affiliate)
China Life Wealth Management Company Limited	The People's Republic of China	100% <sup>(5)</sup> (indirectly through affiliate)

(1) Formerly known as China Life Asset Management (Hong Kong) Company Limited

(2) AMC, which is 60% owned by us, owns 50%

(3) We own 70.74% and AMC, which is 60% owned by us, owns 3.53%

(4) AMC, which is 60% owned by us, owns 85.03%

(5) AMC, which is 60% owned by us, owns 48%, and China Life AMP, which is 85.03% owned by AMC, owns 52%.

## D. PROPERTY, PLANTS AND EQUIPMENT

As of December 31, 2016, we owned and leased 4,021 and 12,687 properties, respectively, and had 453 properties under construction. Among the 4,021 properties owned by us, 1,647 properties are leased to third parties (including partial leasing) while the remaining properties are mainly occupied by us as office premises. Eight properties are recognized as investment properties.

On December 31, 2014, we entered into a new property leasing agreement with China Life Investment Holding Company Limited. Under this property leasing agreement, which will expire on December 31, 2017, China Life Investment Holding Company Limited agreed to lease to us 1,807 properties owned by it. The annual rent is determined by reference to market rent or, where there is no available comparison, by reference to the costs incurred by China Life Investment Holding Company Limited in holding and maintaining the properties, plus a margin of approximately 5%.

### ITEM 4A. UNRESOLVED STAFF COMMENTS.

None.

### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.

*You should read the following discussion and analysis in conjunction with the audited consolidated financial statements and accompanying notes included elsewhere in this annual report.*

#### Overview of Our Business

We are the leading life insurance company in China. We provide a broad range of insurance products, including individual and group life insurance, health insurance and accident insurance products. We had nearly 246 million insurance policies in force as of December 31, 2016, individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies.

We report our financial results according to the following three principal business segments:

*Life insurance*, which offers participating and non-participating life insurance and annuities to individuals and groups.

*Health insurance*, which offers short-term and long-term health insurance to individuals and groups. The financial results of our supplementary major medical insurance are also reflected in our health insurance business segment.

*Accident insurance*, which offers short-term and long-term accident insurance to individuals and groups. In addition, we have an other reporting segment, in which we primarily report the results of the insurance policy management services that we provided to CLIC and the sales agency services that we provided to CLPCIC, as well as the results of our associates, joint ventures and subsidiaries. See Note 5 to our consolidated financial statements included elsewhere in this annual report.



## **Financial Overview of Our Business**

We had total gross written premiums of RMB 430,498 million (US\$ 62,005 million) and net profit of RMB 19,585 million (US\$ 2,821 million) for the year ended December 31, 2016. Our principal business segments had the following results:

*Life insurance* had total gross written premiums of RMB 361,905 million (US\$ 52,125 million) in 2016.

*Health insurance* had total gross written premiums of RMB 54,010 million (US\$ 7,779 million) in 2016.

*Accident insurance* had total gross written premiums of RMB 14,583 million (US\$ 2,100 million) in 2016. Our business has been characterized by growth of premium income over the past several years, together with a move towards an improved business structure which has been evidenced by a rapid increase in first-year regular premiums, with the percentage of first-year regular premiums for products with regular premiums of ten years or more in first-year regular premiums being above 50% since 2013. At the same time, our business has also been affected by certain unfavorable factors, including the increasing cross-industry competition from companies in other financial industries, and the rapid development of the insurance companies owned or controlled by commercial banks and banking operations of post offices and some other small and medium-sized insurance companies, which have secured an increasing market share, as well as the changing economic and investment environment within China, including slowing economic growth and falling interest rates.

## **Factors Affecting Our Results of Operations**

### ***Revenues, Expenses and Profitability***

We earn our revenues primarily from:

insurance premiums from the sale of life insurance policies and annuity contracts, including participating and non-participating policies and annuity contracts with life contingencies, as well as accident and health insurance products. Net premiums earned accounted for 78.82% of total revenues in 2016.

investment income and net realized gains on financial assets, net fair value gains/(losses) through profit or loss. Investment income and net realized gains on financial assets, net fair value gains/(losses) through profit or loss accounted for 19.99% of total revenues in 2016.

In addition, following the restructuring, we receive service fees for policy management services we provide to CLIC. AMC also receives asset management fees for asset management services provided to CLIC. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions .

Our operating expenses primarily include:

insurance benefits provided to our policyholders, accident and health claims and claim adjustment expenses;

increase in insurance contracts liabilities;

investment contract benefits;

policyholder dividends resulting from participation in profits;

underwriting and policy acquisition costs; and

administrative and other expenses.

We also pay rent to China Life Investment Holding Company Limited on the properties we lease from it.

Our profitability depends principally on our ability to price and manage risk on insurance and annuity products, our ability to maximize the return on investment assets, our ability to attract and retain customers, and our ability to manage expenses. In particular, factors affecting our profitability include:

our ability to design and distribute products and services and to introduce new products which gain market acceptance on a timely basis;

our ability to price our insurance and investment products at levels that enable us to earn a margin over the costs of providing benefits and the expense of acquiring customers and administering those products;

our returns on investment assets;

our mortality and morbidity experience, which affects our insurance reserves;

our lapse experience, which affects our ability to recover the cost of acquiring new business over the lives of the contracts;

our cost of administering insurance contracts and providing customer services;

our ability to manage liquidity, market and credit risk in our investment portfolio and to manage duration risk in our asset and policy portfolios through asset-liability management; and

changes in regulations.

In addition, other factors, such as competition, securities market conditions, taxes and general economic conditions, affect our profitability.

***Interest Rates***

For many of our long-term life insurance and annuity products, we are obligated to pay contractual benefits to our policyholders or annuitants based on a guaranteed interest or crediting rate, which is established when the product is priced. These products expose us to the risk that changes in interest rates may change our spread, or the difference between the rate of return we are able to earn on our investments and the guaranteed rates that we are required to pay under the policies. The guaranteed rate we pay is established when the product is priced. In August 2013 and February 2015, the CIRC removed the original 2.50% cap on the guaranteed rates on traditional non-participating insurance policies and universal life insurance policies, respectively. In September 2015, the CIRC further removed the 2.50% cap on the guaranteed rate for participating life insurance policies. From October 1, 2015, the guaranteed rate of all long-term insurance products is to be decided by insurance companies at their discretion in accordance with the principle of prudence, but CIRC approval is required for products with guaranteed rates above the maximum valuation rate set by the CIRC, which varies depending on product. If the rates of return on our investments fall below the rates we guarantee, our profitability would be adversely affected. In November 2014, the interest rate on one-year term deposits, a key benchmark rate, was reduced from 3.00% to 2.75%, and in 2015, the interest rate was further reduced five times from 2.75% to 1.50%. As of the date of this annual report, this interest rate remained unchanged. If economic conditions change in the future, the Chinese government may adjust the interest rates accordingly. As of December 31, 2016, the average guaranteed rate of return for all of our insurance policies in force was 2.58%, while our investment yields for the years ended December 31, 2016, 2015 and 2014 were 4.56%, 6.39% and 5.39%, respectively. However, if the rates of return on our investments were to fall below the rates we guarantee, our profitability would be materially and adversely affected. If the interest rates were to be increased, but we did not raise the guaranteed rates of our products, sales of some of our products, including our non-participating products, could be adversely impacted.



Interest rates also affect our returns on investment assets, a large proportion of which is held in negotiated bank deposits and debt securities. In a declining interest rate environment, interest rate changes expose us to reinvestment risks. In a rising interest rate environment, higher rates may yield greater interest income but also may generate unrealized capital losses for debt securities designated as trading, causing us to incur realized capital losses for securities we reinvest or requiring us to take an impairment if the market value of debt securities declines for an extended period.

For further information on our exposure to interest rate risk, see [Item 11 Quantitative and Qualitative Disclosure about Market Risk Interest Rate Risk](#) and [Note 4](#) to our consolidated financial statements included elsewhere in this annual report.

### ***Investments***

As an insurance company, we have been permitted to invest in five categories of investment assets, including liquidity assets, fixed income assets, equity assets, real properties and other financial assets. However, we are limited by Chinese law and regulations in the maximum amount that we may invest in each type of assets. See [Item 4. Information on the Company Business Overview Investments](#) and [Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments](#) . Our material concentration risks relate to our investments in bank deposits and Chinese government securities.

The limited availability of long-duration investment assets in the markets in which we invest has resulted in the duration of our assets being shorter than that of our liabilities. We seek to reduce the risk of duration mismatch by increasing our investments in long-duration investment assets and focusing on product offerings whose maturity profiles are in line with the duration of investments available to us in the prevailing investment environment. In addition, the price volatility in the PRC capital markets may also expose us to risks of loss from our investments there. We seek to reduce such risk through industry and issuer diversification and asset allocation.

Our results can be materially affected by investment impairments. The following table sets forth impairment charges and reversal of impairment charges, which are included in net realized gains on financial assets, for the years ended December 31, 2014, 2015 and 2016.

Impairment	For the year ended			
	2014	2015	2016	2016
	(RMB in millions)			US\$
Debt securities			(143)	(21)
Equity securities	(1,149)	(321)	(2,513)	(362)
<b>Total</b>	<b>(1,149)</b>	<b>(321)</b>	<b>(2,656)</b>	<b>(383)</b>

During the year ended December 31, 2016, we recognized an impairment expense of RMB 2,513 million (US\$ 362 million) for available-for-sale equity securities for which we determined that objective evidence of impairment existed. During the year ended December 31, 2015, we recognized an impairment expense of RMB 321 million for available-for-sale equity securities for which we determined that objective evidence of impairment existed. During the year ended December 31, 2014, we recognized an impairment expense of RMB 1,149 million for available-for-sale equity securities for which we determined that objective evidence of impairment existed. Our rationale for the impairment is based on a severe or prolonged decline in value. These securities were not impaired due to company-specific events such as bankruptcies.

During the year ended December 31, 2016, we recognized an impairment expense of RMB 143 million (US\$ 21 million) in debt securities. During the years ended December 31, 2015 and 2014, we did not recognize any impairment expense in debt securities and no previously recognized impairment losses in debt securities were reversed.

Available-for-sale securities comprised of the following asset classes as of December 31, 2016, 2015 and 2014.

	2014		As of December 31, 2015		2016	
	Cost or amortized cost	Estimated fair value	Cost or amortized cost	Estimated fair value	Cost or amortized cost	Estimated fair value
<b>Debt securities</b>						
Government bonds	25,885	26,328	23,750	25,713	20,173	21,653
Government agency bonds	137,303	138,487	134,021	145,399	140,444	146,310
Corporate bonds	206,232	206,511	196,408	206,766	183,408	188,337
Subordinated bonds/debt	22,304	22,798	17,771	19,298	15,948	16,708
Other	1,222	1,217	4,723	4,722	26,773	26,750
<b>Subtotal</b>	<b>392,946</b>	<b>395,341</b>	<b>376,673</b>	<b>401,898</b>	<b>386,746</b>	<b>399,758</b>
<b>Equity securities</b>						
Funds	74,532	83,121	150,199	163,366	114,373	105,290
Common stocks	44,197	71,592	57,110	74,629	110,774	110,653
Other	55,271	57,477	124,016	130,623	143,161	150,722
<b>Subtotal</b>	<b>174,000</b>	<b>212,190</b>	<b>331,325</b>	<b>368,618</b>	<b>368,308</b>	<b>366,665</b>
<b>Total</b>	<b>566,946</b>	<b>607,531</b>	<b>707,998</b>	<b>770,516</b>	<b>755,054</b>	<b>766,423</b>

We had gross unrealized gains of RMB 31,391 million (US\$ 4,521 million) and gross unrealized losses of RMB 18,064 million (US\$ 2,602 million) as of December 31, 2016. We had gross unrealized gains of RMB 67,434 million and gross unrealized losses of RMB 3,559 million as of December 31, 2015. We had gross unrealized gains of RMB 47,673 million and gross unrealized losses of RMB 5,581 million as of December 31, 2014. The unrealized losses as of December 31, 2016 related primarily to the unrealized losses of available-for-sale equity.

The following tables set forth the length of time that each class of available-for-sale securities has continuously been in an unrealized loss position as of December 31, 2016, 2015 and 2014.

As of December 31, 2016	0-6 months	7-12 months	More than 12 months	Total
<b>Debt securities</b>				
Unrealized losses	1,222	40	200	1,462
Carrying amounts	48,144	1,040	3,104	52,288
Unrealized losses as a percentage of carrying amounts	2.54%	3.85%	6.44%	2.80%
<b>Equity securities</b>				
Unrealized losses	12,023	4,579		16,602
Carrying amounts	121,106	23,443	1	144,550
Unrealized losses as a percentage of carrying amounts	9.93%	19.53%		11.49%
<b>Total</b>				
<b>Total unrealized losses</b>	<b>13,245</b>	<b>4,619</b>	<b>200</b>	<b>18,064</b>

<b>Total carrying amounts</b>	<b>169,250</b>	<b>24,483</b>	<b>3,105</b>	<b>196,838</b>
<b>Unrealized losses as a percentage of carrying amounts</b>	<b>7.83%</b>	<b>18.87%</b>	<b>6.44%</b>	<b>9.18%</b>

As of December 31, 2015	0-6 months	7-12 months	More than 12 months	Total
	<i>(RMB in millions)</i>			
<b>Debt securities</b>				
Unrealized losses	49	5	242	296
Carrying amounts	4,110	290	16,186	20,586
Unrealized losses as a percentage of carrying amounts	1.19%	1.72%	1.50%	1.44%
<b>Equity securities</b>				
Unrealized losses	1,885	1,378		3,263
Carrying amounts	28,275	9,810		38,085
Unrealized losses as a percentage of carrying amounts	6.67%	14.05%		8.57%
<b>Total</b>				
<b>Total unrealized losses</b>	<b>1,934</b>	<b>1,383</b>	<b>242</b>	<b>3,559</b>
<b>Total carrying amounts</b>	<b>32,385</b>	<b>10,100</b>	<b>16,186</b>	<b>58,671</b>
<b>Unrealized losses as a percentage of carrying amounts</b>	<b>5.97%</b>	<b>13.69%</b>	<b>1.50%</b>	<b>6.07%</b>
As of December 31, 2014	0-6 months	7-12 months	More than 12 months	Total
	<i>(RMB in millions)</i>			
<b>Debt securities</b>				
Unrealized losses	503	94	4,358	4,955
Carrying amounts	52,214	1,310	82,408	135,932
Unrealized losses as a percentage of carrying amounts	0.96%	7.18%	5.29%	3.65%
<b>Equity securities</b>				
Unrealized losses	595	31		626
Carrying amounts	11,666	129		11,795
Unrealized losses as a percentage of carrying amounts	5.10%	24.03%		5.31%
<b>Total</b>				
<b>Total unrealized losses</b>	<b>1,098</b>	<b>125</b>	<b>4,358</b>	<b>5,581</b>
<b>Total carrying amounts</b>	<b>63,880</b>	<b>1,439</b>	<b>82,408</b>	<b>147,727</b>
<b>Unrealized losses as a percentage of carrying amounts</b>	<b>1.72%</b>	<b>8.69%</b>	<b>5.29%</b>	<b>3.78%</b>

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

Our rationale for an other-than-temporary impairment is based on a severe or prolonged decline in value. We determine a severe or prolonged decline after considering both quantitative and qualitative factors.

The qualitative factors include specific information on the financial status and performance of the investee, including but not limited to:

loss of major contracts;

breach of debt covenants; and

bankruptcy.

The quantitative factors include the following:

The market price of the equity securities was more than 50% below its cost at the balance sheet date;

The market price of the equity securities was more than 20% below its cost for a period of at least six months at the balance sheet date; and

The market price of the equity securities was below its cost for a period of more than one year.

When the decline in value is considered an impairment, held-to-maturity debt securities are written down to their present value of estimated future cash flows discounted at the securities' effective interest rates, and available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded in net realized gains on financial assets in the period the impairment is recognized. 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 net profit. The impairment losses recognized in net profit on equity investments are not reversed. See Critical Accounting Policies .

As of December 31, 2016, our total investment assets were RMB 2,453,283 million (US\$ 353,346 million) and the investment yield for the year ended December 31, 2016 was 4.56%. The investment yield primarily reflected the increase in interest income and the decrease in spread income. As of December 31, 2015, our total investment assets were RMB 2,287,639 million and the investment yield for the year ended December 31, 2015 was 6.39%. The investment yield primarily reflected the increase in spread income and interest income. As of December 31, 2014, our total investment assets were RMB 2,100,870 million and the investment yield for the year ended December 31, 2014 was 5.39%. The investment yield primarily reflected the increase in spread income, interest income and fair value gains/(losses), as well as the decrease in impairment losses of assets.

We calculate the investment yields for a given year by dividing the total investment income for that year by the average of the ending balance of investment assets of that year and the previous year. Beginning in 2016, the formula to calculate our investment yield has been revised to reflect the fact that our investment income has been subject to 6% Value Added Tax, or VAT, instead of the 5% business tax from May 1, 2016, and therefore investment yields for the fiscal years ended December 31, 2014 and 2015 have also been revised to conform to the revised formula.

**Mix of Products**

The following table sets forth premium information as of or for the years ended December 31, 2016, 2015 and 2014 by type of product in our life insurance business, health insurance business and accident insurance business.

	As of or for the year ended				Compound annual growth rate (2014-2016)
	2014 RMB	2015 RMB	2016 RMB	2016 US\$	
<b>Life insurance business</b>					
<b>Whole life and term life insurance:</b>					
Gross written premiums	32,638	31,595	33,395	4,810	1.15%
<b>Endowment:</b>					
Gross written premiums	217,662	177,871	188,415	27,137	(6.96%)
<b>Annuities:</b>					
Gross written premiums	35,319	98,703	140,095	20,178	99.16%
<b>Health insurance business<sup>(1)</sup></b>					
Gross written insurance premiums	33,192	42,041	54,010	7,779	27.56%
<b>Accident insurance business<sup>(2)</sup></b>					
Gross written insurance premiums	12,199	13,761	14,583	2,100	9.34%

(1) Including long-term and short-term health products.

(2) Including long-term and short-term accident products.

Under guidelines issued by the CIRC, we are required to pay to our participating policyholders dividends which are no less than 70% of the distributable investment earnings and mortality gains on participating products. Participating products tend to present us with less market risk, since we have more flexibility to set the level of dividends and because participating products are subject to guaranteed rates which are generally lower than those of non-participating products. In addition, changes in interest rates have less of impact on their lapse rates than on those of non-participating policies. Conversely, participating products tend to be less profitable for us than non-participating products, largely because the terms of these contracts effectively commit us to sharing a portion of our earnings from participating products with our policyholders. However, participating products still provide us with attractive profit contributions given the growing level of sales volume they produce.

Products classified as investment contracts also affect our revenues, since only a portion of the payments we received under such products are recorded in our consolidated income statement as policy fees, and the majority of such payments are recorded as investment contracts under financial liabilities on our balance sheet.

Another factor affecting our revenue is the fact that a substantial amount of the premiums we receive on many individual and group life insurance products are made in single payments, rather than over the course of the policy. We believe that the popularity of single premium products is in line with purchasing patterns and demand in China. We have, however, adjusted our premium structure to focus more on sales of products with regular premiums, especially products with regular premiums for ten years or more, which has reduced the proportion of single written premiums of our total first-year gross written premiums. We believe that this strategy could contribute to a more



steady development of our business and enhance the retention rate of our customers and sales agent force.

## ***Regulation***

We operate in a highly regulated industry. Changes in regulation can have a significant impact on our revenues, expenses and profitability. China's insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Among other things, recent changes to permitted investment channels for insurance companies have impacted our investment portfolio and returns. See Item 4. Information on the Company Business Overview Regulatory and Related Matters .

## **Critical Accounting Policies**

We prepared the consolidated financial statements under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, insurance contract liabilities and certain property, plant and equipment at deemed cost during restructuring process. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgments in the process of applying our accounting policies. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to our businesses and operations. The following sections discuss the accounting policies applied in preparing our consolidated financial statements that we believe are most dependent on the application of these judgments and estimates. However, uncertainty about these judgments and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in the future periods.

### ***Reserves for Long-term Insurance Contracts***

Long-term insurance contracts include whole life and term life insurance, endowment insurance and annuities policies with significant life contingency risk. Premiums are recognized as revenue when due from policyholders.

We use the discounted cash flow method to estimate the reserves of long-term insurance contracts. The reserve of long-term insurance contracts consists of a reasonable estimate of liability, a risk margin and a residual margin. The long-term insurance contracts liabilities are calculated using various assumptions, including assumptions on mortality rates, morbidity rates, lapse rates, discount rates and expenses assumptions, and based on the following principles:

The reasonable estimate of liability 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:

- (i) Guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders;
- (ii) Additional non-guaranteed benefits, such as policyholder dividends; and

- (iii) Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expenses and claim settlement expenses. Future administration expenses are included in the maintenance expense. Expenses are determined based on expense analysis with consideration of future inflation and our expense management control.

On each reporting date, we review the assumptions for reasonable estimates of liability and risk margins, with consideration of all available information, taking into account our historical experience and expectation of future events. Changes in assumptions are recognized in net profit. Assumptions for the amortization of residual margin are locked in at policy issuance and are not adjusted at each reporting date. We consider the potential impact of future risk factors on our operating results and incorporates such potential impact in the determination of assumptions. The sensitivity analysis disclosed in the Note 4.1.3 on page F-37 of this annual report provides a detailed analysis of impact of assumption changes on our operating results.

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

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. At the inception of the contract, the residual margin is calculated net of certain acquisition costs, mainly consist of underwriting and policy acquisition costs, by us representing Day 1 gain and will be amortized over the life of contracts. For insurance contracts of which future returns are affected by investment yields of corresponding investment portfolios, their related residual margins are amortized based on estimated future participating dividends payable to the policyholders. For insurance contracts in which future returns are not affected by investment yields of corresponding investment portfolios, their related residual margins are amortized based on sum assured of outstanding policies. The subsequent measurement of residual margin is independent from the reasonable estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

We have considered the impact of time value on the reserve calculation for insurance contracts. We establish liabilities for long-term traditional insurance contracts based on the following assumptions:

For the insurance contracts of which future insurance benefits are affected by investment yields of corresponding investment portfolios, the discount rate assumption is based on expected investment returns of the asset portfolio backing these liabilities, considering the impacts of time value on reserves. In developing discount rate assumptions, we consider investment experience, current investment portfolio and trend of the relevant yield curve. The discount rate reflects the future economic outlook as well as our investment strategy. The assumed discount rate with risk margin ranged from 4.80% to 5.00% as at December 31, 2014, from 4.80% to 5.00% as at December 31, 2015 and from 4.45% to 4.85% as at December 31, 2016, respectively.

For the insurance contracts of which the future financial benefits are not affected by the investment yields of the corresponding investment portfolios, the discount rate assumption is based on the yield curve of reserve computation benchmark for insurance contracts, published on China Bond website, with consideration including liquidity spreads, taxation impacts and other relevant factors. The assumed discount rate with risk margin ranged from 3.52% to 5.96% as at December 31, 2014, from 3.42% to 5.78% as at December 31, 2015 and from 3.23% to 5.32% as at December 31, 2016, respectively.

There is uncertainty on the discount rate assumption, which is affected by factors such as future macro-economy, monetary and foreign exchange policies, capital market and availability of investment channels of insurance funds. We determine the discount rate assumption based on the information obtained at the end of each reporting period, including consideration of risk margin.

The mortality and morbidity assumptions are based on the historical mortality and morbidity experience. The assumed mortality rates and morbidity rates vary by age of the insured and contract type.

We base our mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect our recent historical mortality experience. The main source of uncertainty with life insurance contracts is that epidemics and wide-ranging lifestyle changes could result in deterioration in future mortality experience, thus leading to an inadequate reserving of liability. Similarly, improvements in longevity due to continuing advancements in medical care and social conditions could expose us to longevity risk.

We base our morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity experience. Second, future development of medical technologies and improved coverage of medical facilities available to policyholders may bring forward the timing of diagnosing critical illness, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate reserving of liability if current morbidity assumptions do not properly reflect such trends.

Risk margin is considered in our mortality and morbidity assumptions.

The expense assumptions are based on expected unit costs with the consideration of previous expenses study and future trends. Our expense assumptions are affected by certain factors, such as future inflation and market competition which bring uncertainty to these assumptions. We consider risk margin for expense assumptions based on the information obtained at the end of each reporting period. Components of expense assumptions include cost per policy and percentage of premium. We have estimated the percentage of premiums costs to be 0.85% to 0.90% of premiums for individual life products and 0.90% for group life products as at December 31, 2014, 0.85% to 0.90% of premiums for individual life products and 0.90% for group life products as at December 31, 2015 and 0.85% to 0.90% of premiums for individual life products and 0.90% for group life products as at December 31, 2016, respectively, in each case plus a fixed per-policy expense.

The lapse rates and other assumptions are affected by certain factors, such as future macro economy, availability of financial substitutions and market competition, which bring uncertainty to lapse rates and other assumptions. The lapse rates and other assumptions are determined with reference to creditable past experience, current conditions, future expectations and other information.

The method used to determine risk margin has been consistently applied. We consider risk margin for each of the discount rate, mortality and morbidity and expense assumptions to compensate for the uncertain amount and timing of future cash flow. When determining risk margin, we consider historical experience, future expectations and other factors. Risk margin is determined by us and does not include any elements imposed by regulators.

We adopted a consistent process to determine assumptions for the insurance contracts, which are detailed in Note 14 to our consolidated financial statements included elsewhere in this annual report.

### ***Universal Life Contracts and Unit-linked Contracts***

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

Insurance components; and

Non-insurance components.

The insurance components are accounted for as insurance contracts, and the non-insurance components are accounted for as investment contracts, which are stated in the investment contract liabilities.

### ***Investment Contracts***

Revenue from investment contracts with or without discretionary participating features is recognized as policy fee income, which consists of various fee income including, among others, policy fees, handling fees and management fees, during the period. Policy fee income net of certain acquisition cost are deferred as unearned revenue and amortized over the expected life of the contracts.

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

### ***Valuation of Investments***

Debt securities that we have the ability and positive intent to hold to maturity are classified as held-to-maturity. These investments are carried at amortized cost. Debt securities and equity securities that we purchase with the intention to resell in the short term are classified as securities at fair value through profit or loss. Debt securities and equity securities other than those classified as held-to-maturity or securities at fair value through profit or loss are classified as available-for-sale securities. We regularly review the carrying value of our investments. If there is objective evidence of impairment, the carrying value is reduced through a charge to income statement. The following are the policies used:

*Securities at fair value through profit or loss.* This category has two sub-categories: securities held for trading and those designated at fair value through profit or loss at inception. Securities are classified as held for trading at inception if acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short term profit-taking. Other financial assets are classified as at fair value through profit or loss if they meet the criteria and designated as such at inception by us.



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

*Loans and receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that we intend to sell in the short term or held as available-for-sale. Loans and receivables mainly comprise term deposits, loans, securities purchased under agreements to resell, accrued investment income and premium receivables as presented separately in the statement of financial position.

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

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 these financial assets, we consider several factors including, but not limited to, the following:

significant financial difficulty of the issuer or debtor;

a breach of contract, such as a default or delinquency in payments;

it becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganization; and

the disappearance of an active market for that financial asset because of financial difficulties.

In evaluating whether a decline in value is impairment for equity securities, we also consider the extent or the duration of the decline. When the decline in value is considered impairment, held-to-maturity debt securities are written down to their present value of estimated future cash flows discounted at the securities effective interest rates; available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded in Net realized gains on financial assets in the period the impairment is recognized. The impairment loss is reversed through 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 net profit. The impairment losses recognized in net profit on equity instruments are not reversed through net profit.

As of December 31, 2016, debt securities of RMB 213,877 million (US\$ 30,805 million) contain guarantees issued by third parties and, of those, 94.84% were guaranteed by either the Chinese government or a Chinese government controlled financial institution. Of the guarantees issued by government or government controlled financial institutions, 73.11% relates to debt securities issued by a government railway infrastructure entity. We monitor the credit worthiness of the third parties which have issued these guarantees using local Chinese credit ratings which are generally only utilized within China.

The fair value of the financial assets and liabilities is determined as follows:

*Debt securities.* The fair values of debt securities are generally based on current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions, values obtained from current bid prices of comparable investments or valuation techniques when the market is not active.

*Equity securities.* The fair values of equity securities are generally based on current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions or commonly used market pricing model. Equity securities, for which fair values cannot be measured reliably, are recognized at cost less impairment.

*Securities purchased under agreements to resell, policy loans, term deposits, interest-bearing loans and borrowings, and securities sold under agreements to repurchase.* The carrying amounts of these assets in the consolidated statement of financial position approximate fair value. Fair value of other loans are obtained from valuation techniques.

Valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and, through the use of widely accepted valuation models, provide a theoretical quote on various securities.

We utilize one pricing service for substantially all of our Chinese domestic debt securities. This pricing service provider is the only publicly-recognized pricing service provider in China, and its pricing information is used by the mutual fund industry and almost all companies in China. We utilize international pricing services for our overseas debt securities. These pricing service providers are internationally-recognized, and their pricing information is commonly used by international companies. The prices obtained from the pricing service are non-binding. Our review and testing have shown the prices obtained from our pricing service to be appropriate. As such, during the year ended December 31, 2016, we did not consider it necessary to adjust the prices obtained from our pricing service.

As at December 31, 2016, RMB 239,743 million of RMB 271,333 million debt securities with prices obtained from our pricing service were issued by the Chinese government and government controlled organizations. This pricing service utilized a discounted cash flow valuation model using market observable inputs, mainly interest rates, to determine a fair value. There are no other significant market inputs. As such, we have classified these debt securities as Level 2 in the fair value hierarchy.

Management subjects the fair values provided by valuation service providers to a number of validation procedures. These procedures include a review of the valuation models utilized, as well as our own test recalculation of the prices obtained from the pricing service at each reporting date.

We consider a combination of many factors in determining whether we believe a market for a financial instrument is active or inactive. Among these factors include:

whether there has been any trades within past 30 days of the reporting date;

the volume of the trades within this 30 day period; and



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the degree which the implied yields for a debt security for observed transactions differs from our understanding of the current relevant market rates and information.

**Revenue Recognition**

*Premiums.* Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders.

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

*Policy fee income.* Revenue from investment contracts is recognized as policy fee income, which consists of various fee income (including policy fees, handling fees and management fees) over the period during which service is provided. Excess fee income over certain acquisition costs is deferred as unearned revenue and amortized over the expected life of the contracts. Policy fee income is presented as other income.

*Investment income.* Investment income is comprised of interest income from term deposits, cash and cash equivalents, debt securities, securities purchased under agreements to resell, loans and dividend income from equity securities. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognized when the right to receive a dividend payment is established.

**Deferred taxation**

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures 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.

**Recently Issued Accounting Standards**

The following standards and amendments are adopted by us for the first time for the financial year beginning on January 1, 2016.

<b>Standards/Amendments</b>	<b>Content</b>	<b>Effective for annual periods beginning on or after</b>
IAS 1 Amendments	<i>Disclosure Initiative</i>	1 January 2016
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
IFRS 10 , IFRS 12 and IAS 28 Amendments	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016



The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1; that specific line items in the statement of comprehensive income and the statement of financial position should be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of other comprehensive income ( OCI ) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group's consolidated financial statements have complied with the amendments.

*IAS 27 Amendments – Equity Method in Separate Financial Statements*

The amendments to IAS 27 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group did not elect to change to the equity method in the separate financial statements, and the amendments do not have any impact on the Group's consolidated financial statements.

*IFRS 10, IFRS 12 and IAS 28 Amendments – Investment Entities: Applying the Consolidation Exception*

Amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to IFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to IFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 to present the disclosures in respect of investment entities in accordance with IFRS 12. IAS 28 was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The amendments to IFRS 10 and IFRS 12 do not have any material impact on the Group's consolidated financial statements as the Company is not an investment entity as defined in IFRS 10. The Group applied the amendments to IAS 28 when accounting for associates which are investment entities themselves.

*IFRS 11 Amendments – Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. The amendments are not relevant to the Group, since the Group had no joint operation as at 31 December 2016.

In addition, the Annual Improvements 2012-2014 Cycle issued in September 2014 sets out amendments to other standards. These annual improvements were established to make non-urgent but necessary amendments to IFRSs. There are no material changes to the accounting policies of the Group as a result of these annual improvements.

The following standards and amendments are not yet effective and have not been early adopted by us for the financial year beginning on January 1, 2016.

<b>Standards/Amendments</b>	<b>Content</b>	<b>Effective for annual period beginning on or after</b>
IAS 7 Amendments	<i>Disclosure Initiative</i>	January 1, 2017
IAS 12 Amendments	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>	January 1, 2017
IFRS 2 Amendments	<i>Classification and Measurement of Share-based Payment Transactions</i>	January 1, 2018
IFRS 9	<i>Financial Instruments</i>	January 1, 2018
IFRS 15	<i>Revenue from Contracts with Customers</i>	January 1, 2018
IFRS 15 Amendments	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	January 1, 2018
IFRS 4 Amendments	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	January 1, 2018
IFRS 16	<i>Leases</i>	January 1, 2019
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption

For a detailed discussion of the recently issued accounting standards, see Note 2.1.1 and Note 2.1.2 to our consolidated financial statements included elsewhere in this annual report.

### **Inflation**

According to the National Statistics Bureau of China, China's overall national inflation rates, as represented by the general consumer price index, were approximately 2.0%, 1.4%, 2.0%, 2.6% and 2.6% in 2016, 2015, 2014, 2013 and 2012, respectively. Inflation has not had a significant effect on our business during the past three years.

### **Foreign Currency Fluctuation**

See Item 3. Key Information Risk Factors Risks Relating to the People's Republic of China Government control of currency conversion and the fluctuation of the Renminbi may materially and adversely affect our operations and financial results and Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk .

## A. OPERATING RESULTS

### Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

Total Revenues	For the year ended December 31,	
	2015 RMB	2016 RMB
	<i>(in millions)</i>	
Net premiums earned	362,301	426,230
Life insurance business	308,081	361,649
Health insurance business	40,855	50,590
Accident insurance business	13,365	13,991
Investment income	97,582	109,147
Investment income from securities at fair value through profit or loss	1,708	6,210
Investment income from available-for-sale securities	27,476	37,243
Investment income from held-to-maturity securities	24,541	24,854
Investment income from bank deposits	32,285	27,851
Investment income from loans	11,115	12,018
Other investment income	457	971
Net realized gains on financial assets	32,297	6,038
Net fair value gains/(losses) through profit or loss	10,209	(7,094)
Other income	5,060	6,460
<b>Total</b>	<b>507,449</b>	<b>540,781</b>

#### *Net Premiums Earned*

Net premiums earned increased by RMB 63,929 million, or 17.6%, to RMB 426,230 million in 2016 from RMB 362,301 million in 2015.

#### *Life Insurance Business*

Net premiums earned from life insurance business increased by RMB 53,568 million, or 17.4%, to RMB 361,649 million in 2016 from RMB 308,081 million in 2015. This was primarily due to an increase in first-year regular premiums and renewals.

#### *Health Insurance Business*

Net premiums earned from health insurance business increased by RMB 9,735 million, or 23.8 %, to RMB 50,590 million in 2016 from RMB 40,855 million in 2015. This was primarily due to our increased efforts in developing the health insurance business to meet market demand.

#### *Accident Insurance Business*

Net premiums earned from accident insurance business increased by RMB 626 million, or 4.7%, to RMB 13,991 million in 2016 from RMB 13,365 million in 2015. This was primarily due to further optimization of our business structure and a decrease in sales of certain products with high claim settlement ratios.

***Investment Income***

Investment income increased by RMB 11,565 million, or 11.9%, to RMB 109,147 million in 2016 from RMB 97,582 million in 2015.

***Investment Income from Securities at Fair Value through Profit or Loss***

Investment income from securities at fair value through profit or loss increased by RMB 4,502 million, or 263.6%, to RMB 6,210 million in 2016 from RMB 1,708 million in 2015. This was primarily due to an increase in interest income resulting from increased investments in trading bonds, principally commercial paper and corporate bonds.

***Investment Income from Available-for-Sale Securities***

Investment income from available-for-sale securities increased by RMB 9,767 million, or 35.5%, to RMB 37,243 million in 2016 from RMB 27,476 million in 2015. This was primarily due to an increase in dividend income from available-for-sale equity investments.

***Investment Income from Held-to-Maturity Securities***

Investment income from held-to-maturity securities increased by RMB 313 million, or 1.3%, to RMB 24,854 million in 2016 from RMB 24,541 million in 2015. This was primarily due to an increase in the allocation in bonds offset in part by a decrease in the rate of return on reinvested funds and new investments in the low interest rate environment.

***Investment Income from Bank Deposits***

Investment income from bank deposits decreased by RMB 4,434 million, or 13.7%, to RMB 27,851 million in 2016 from RMB 32,285 million in 2015. This was primarily due to a decrease in the allocation of negotiated deposits, and a decrease in the rate of return for new investments in the low interest rate environment.

***Investment Income from Loans***

Investment income from loans increased by RMB 903 million, or 8.1%, to RMB 12,018 million in 2016 from RMB 11,115 million in 2015. This was primarily due to an increase in investments in other loans, which mainly consist of our investments in different types of asset management products.

***Net Realized Gains on Financial Assets***

Net realized gains on financial assets decreased by RMB 26,259 million, or 81.3%, to gains of RMB 6,038 million in 2016 from gains of RMB 32,297 million in 2015. This was primarily due to a significant decrease in spread income of stocks and securities investment funds resulting from fluctuations in the capital markets.

***Net Fair Value Gains/(Losses) through Profit or Loss***

Net fair value gains/(losses) through profit or loss decreased by RMB 17,303 million to losses of RMB 7,094 million in 2016 from gains of RMB 10,209 million in 2015. This was primarily due to a significant decrease in spread income of stocks resulting from fluctuations in the capital markets.

***Other Income***

Other income increased by RMB 1,400 million, or 27.7%, to RMB 6,460 million in 2016 from RMB 5,060 million in 2015. This was primarily due to an increase in the commission fees earned from CLPCIC.



Benefits, Claims and Expenses	For the year ended December 31,	
	2015 RMB	2016 RMB
	<i>(in millions)</i>	
Insurance benefits and claims expenses		
Life insurance death and other benefits	221,701	253,157
Accident and health claims and claim adjustment expenses	21,009	27,269
Increase in insurance contracts liabilities	109,509	126,619
Investment contracts benefits	2,264	5,316
Policyholder dividends resulting from participation in profits	33,491	15,883
Underwriting and policy acquisition costs	35,569	52,022
Finance costs	4,320	4,767
Administrative expenses	27,458	31,854
Other expenses	7,428	4,859
Statutory insurance fund contribution	743	1,048
<b>Total</b>	<b>463,492</b>	<b>522,794</b>
Segment information of insurance benefits and claims expenses		
Life insurance business	313,612	360,922
Health insurance business	34,398	40,513
Accident insurance business	4,209	5,610
<b>Total</b>	<b>352,219</b>	<b>407,045</b>

### *Insurance Benefits and Claims Expenses*

Insurance benefits and claims, net of amounts ceded through reinsurance, increased by RMB 54,826 million, or 15.6%, to RMB 407,045 million in 2016 from RMB 352,219 million in 2015.

Life insurance death and other benefits payouts increased by RMB 31,456 million, or 14.2%, to RMB 253,157 million in 2016 from RMB 221,701 million in 2015. This was primarily due to an increase in maturities payable of life insurance business and annuity benefits. Accident and health claims and claim adjustment expenses increased by RMB 6,260 million, or 29.8%, to RMB 27,269 million in 2016 from RMB 21,009 million in 2015. This was primarily due to an increase in the volume of short-term health insurance and accident insurance business. Increase in insurance contracts liabilities increased by RMB 17,110 million, or 15.6%, to RMB 126,619 million in 2016 from RMB 109,509 million in 2015. This was primarily due to an increase in the scale of insurance business.

### *Life Insurance Business*

Insurance benefits and claims expenses attributable to life insurance business increased by RMB 47,310 million, or 15.1%, to 360,922 million in 2016 from RMB 313,612 million in 2015. This was primarily due to an increase in maturities payable and annuity payments in our life insurance business.

### *Health Insurance Business*

Insurance benefits and claims expenses attributable to health insurance business increased by RMB 6,115 million, or 17.8%, to RMB 40,513 million in 2016 from RMB 34,398 million in 2015. This was primarily due to an increase in the scale of health insurance business.

***Accident Insurance Business***

Insurance benefits and claims expenses attributable to accident insurance business increased by RMB 1,401 million, or 33.3%, to RMB 5,610 million in 2016 from RMB 4,209 million in 2015. This was primarily due to the increase of claims expenses for certain businesses.

***Investment Contract Benefits***

Investment contract benefits increased by RMB 3,052 million, or 134.8%, to RMB 5,316 million in 2016 from RMB 2,264 million in 2015. This was primarily due to an increase in the scale of investment contracts.

***Policyholder Dividends Resulting from Participation in Profits***

Policyholder dividends resulting from participation in profits decreased by RMB 17,608 million, or 52.6%, to RMB 15,883 million in 2016 to RMB 33,491 million in 2015. This was primarily due to a decrease in investment yields for participating products.

***Underwriting and Policy Acquisition Costs***

Underwriting and policy acquisition costs increased by RMB 16,453 million, or 46.3%, to RMB 52,022 million in 2016 from RMB 35,569 million in 2015. This was primarily due to an increase in underwriting costs for first-year regular premium business resulting from the growth of our business and the optimization of our business structure.

***Finance Costs***

Finance costs increased by RMB 447 million, or 10.3%, to RMB 4,767 million in 2016 from RMB 4,320 million in 2015. This was primarily due to an increase in interest income from securities sold under agreements to repurchase.

***Administrative Expenses***

Administrative expenses include employees' remuneration and other administrative expenses. Administrative expenses increased by RMB 4,396 million, or 16%, to RMB 31,854 million in 2016 from RMB 27,458 million in 2015. This was primarily due to the growth of our business.

***Other Expenses***

Other expenses decreased by RMB 2,569 million, or 34.6%, to RMB 4,859 million in 2016 from RMB 7,428 million in 2015. This was primarily due to the fact that our income from financial and insurance services has been subject to value-added tax instead of business taxes since May 1, 2016.

<b>Profit</b>	<b>For the year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(in millions)</b>	
Profit before income tax	45,931	23,842
Life insurance business	40,921	14,732
Health insurance business	557	2,093
Accident insurance business	1,753	852
Other businesses	2,700	6,165
Income tax	10,744	4,257
Net profit attributable to equity holders of the company	34,699	19,127



***Profit before Income Tax***

Our profit before income tax decreased by RMB 22,089 million, or 48.1%, to RMB 23,842 million in 2016 from RMB 45,931 million in 2015.

***Life Insurance Business***

Profit before income tax in the life insurance business decreased by RMB 26,189 million, or 64.0%, to RMB 14,732 million in 2016 from RMB 40,921 million in 2015. This was primarily due to a decrease in gross investment income and the impact of the update of discount rate assumptions for reserves for traditional insurance contracts.

***Health Insurance Business***

Profit before income tax in the health insurance business increased by RMB 1,536 million, or 275.8%, to RMB 2,093 million in 2016 from RMB 557 million in 2015. This was primarily due to the improvement of the business structure of our health insurance.

***Accident Insurance Business***

Profit before income tax in the accident insurance business decreased by RMB 901 million, or 51.4%, to RMB 852 million in 2016 from RMB 1,753 million in 2015. This was primarily due to an increase in claims expenses.

***Other Business***

Profit before income tax in other business increased by RMB 3,465 million, or 128.3%, to RMB 6,165 million in 2016 from RMB 2,700 million in 2015. This was primarily due to an increase in net share of profit of associates and joint ventures.

***Income Tax***

We pay income tax according to applicable Chinese enterprise income tax regulations and rules. Income tax decreased by RMB 6,487 million or 60.4%, to RMB 4,257 million in 2016 from RMB 10,744 million in 2015. This was primarily due to the combined impact of taxable income and deferred tax.

***Net Profit Attributable to Equity Holders of the Company***

For the reasons set forth above, net profit attributable to equity holders of the Company decreased by RMB 15,572 million, or 44.9%, to RMB 19,127 million in 2016 from RMB 34,699 million in 2015. This was primarily due to the decrease in gross investment income and the impact of the update of discount rate assumptions for reserves for traditional insurance contracts.

Major Assets	As of December 31,	
	2015	2016
	RMB	RMB
	(in millions)	
Investment assets	2,287,639	2,453,283
Term deposits	562,622	538,325
Held-to-maturity securities	504,075	594,730
Available-for-sale securities	770,516	766,423
Securities at fair value through profit or loss	137,990	209,124
Securities purchased under agreements to resell	21,503	43,538
Cash and cash equivalents	76,096	67,046
Loans	207,267	226,573
Statutory deposits restricted	6,333	6,333
Investment properties	1,237	1,191
Investment in associates and joint ventures	47,175	119,766
Other assets	113,501	123,902
<b>Total</b>	<b>2,448,315</b>	<b>2,696,951</b>

### *Investment Assets*

Our total investment assets increased by RMB 165,644 million, or 7.2%, to RMB 2,453,283 million in 2016 from RMB 2,287,639 million in 2015.

### *Term Deposits*

Term deposits decreased by RMB 24,297 million, or 4.3%, to RMB 538,325 million in 2016 from RMB 562,622 million in 2015. This was primarily due to a decrease in the scale of negotiated deposits.

### *Held-to-Maturity Securities*

Held-to-maturity securities increased by RMB 90,655 million, or 18%, to RMB 594,730 million in 2016 from RMB 504,075 million in 2015. This was primarily due to an increase in the allocation in bonds.

### *Available-for-Sale Securities*

Available-for-sale securities decreased by RMB 4,093 million, or 0.5%, to RMB 766,423 million in 2016 from RMB 770,516 million in 2015.

### *Securities at Fair Value Through Profit or Loss*

Securities at fair value through profit or loss increased by RMB 71,134 million, or 51.6%, to RMB 209,124 million in 2016 from RMB 137,990 million in 2015. This was primarily due to increased investments in listed bonds, principally commercial paper and corporate bonds.

### *Cash and Cash Equivalents*

Cash and cash equivalents decreased by RMB 9,050 million, or 11.9%, to RMB 67,046 million in 2016 from RMB 76,096 million in 2015. This was primarily due to the needs for liquidity management.

***Loans***

Loans increased by RMB 19,306 million, or 9.3%, to RMB 226,573million in 2016 from RMB 207,267 million in 2015. This was primarily due to an increase in investments in policy loans and other loans, which mainly consist of our investments in different types of asset management products.

**Investment Properties**

Investment properties decreased by RMB 46 million, or 3.7%, to RMB 1,191 million in 2016 from RMB 1,237 million in 2015. This was primarily due to depreciation of investment properties.

**Investments in associates and joint ventures**

Our investments in associates and joint ventures increased by RMB 72,591 million, or 153.9%, to RMB 119,766 million in 2016 from RMB 47,175 million in 2015. This primarily reflected our new investments in associates and joint ventures and an increase in interests in associates.

<b>Major Liabilities</b>	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(in millions)</b>	
<b>Liabilities</b>		
Insurance contracts	1,715,985	1,847,986
Investment contracts	84,106	195,706
Securities sold under agreements to repurchase	31,354	81,088
Policyholder dividends payable	107,774	87,725
Annuity and other insurance balances payable	30,092	39,038
Interest-bearing loans and borrowings	2,643	16,170
Bonds payable	67,994	37,998
Deferred tax liabilities	16,953	7,768
Other liabilities	65,200	75,824
<b>Total</b>	<b>2,122,101</b>	<b>2,389,303</b>

**Liabilities**

Our total liabilities increased by RMB 267,202 million, or 12.6%, to RMB 2,389,303 million in 2016 from RMB 2,122,101 million in 2015.

**Insurance Contracts**

Liabilities of insurance contracts increased by RMB 132,001 million, or 7.7%, to RMB 1,847,986 million in 2016 from RMB 1,715,985 million in 2015. This was primarily due to the accumulation of insurance liabilities from new insurance business and renewal business. As at the date of the statement of financial position, our insurance contracts reserves passed liability adequacy testing.

**Investment Contracts**

The account balance of investment contracts increased by RMB 111,600 million, or 132.7%, to RMB 195,706 million in 2016 from RMB 84,106 million in 2015. This was primarily due to an increase in the scale of certain investment contracts.

**Securities Sold under Agreements to Repurchase**



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Securities sold under agreements to repurchase increased by RMB 49,734 million, or 158.6%, to RMB 81,088 million in 2016 from RMB 31,354 million in 2015. This was primarily due to the needs for liquidity management.

***Policyholder Dividends Payable***

Policyholder dividends payable decreased by RMB 20,049 million, or 18.6%, to RMB 87,725 million in 2016 from RMB 107,774 million in 2015. This was primarily due to a decrease in investment yields of participating products.

***Annuity and Other Insurance Balances Payable***

Annuity and other insurance balances payable increased by RMB 8,946 million, or 29.7%, to RMB 39,038 million in 2016 from RMB 30,092 million in 2015. This was primarily due to an increase in maturities payable.

***Interest-bearing Loans and Borrowings***

Our borrowings in foreign currency increased in 2016. Interest-bearing loans and other borrowings include a five-year bank loan of GBP 275 million with a maturity date of June 17, 2019, a three-year bank loan of US\$ 948 million with a maturity date of September 27, 2019, a three-year bank loan of US\$ 940 million with a maturity date of September 30, 2019 and a six-month bank loan of EUR100 million with a maturity date of June 9, 2017. All these loans are fixed rate loans.

***Bonds Payable***

Bonds payable decreased by RMB 29,996 million, or 44.1%, to RMB 37,998 million in 2016 from RMB 67,994 million in 2015. This was primarily due to redemption of some of our subordinated term debts.

***Deferred Tax Liabilities***

Deferred tax liabilities decreased by RMB 9,185 million, or 54.2%, to RMB 7,768 million in 2016 from RMB 16,953 million in 2015. This was primarily due to the decrease in the fair value of available-for-sale securities.

***Equity Attributable to Equity Holders of the Company***

As of December 31, 2016, equity attributable to our equity holders was RMB 303,621 million, a decrease of RMB 18,871 million, or 5.9%, from RMB 322,492 million as of December 31, 2015. This was primarily due to profit distributions and the decrease in total comprehensive income during 2016.

**Year Ended December 31, 2015 Compared with Year Ended December 31, 2014**

<b>Total Revenues</b>	<b>For the year ended December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Net premiums earned	330,105	362,301
Life insurance business	285,574	308,081
Health insurance business	32,624	40,855
Accident insurance business	11,907	13,365
Investment income	93,548	97,582
Investment income from securities at fair value through profit or loss	1,677	1,708
Investment income from available-for-sale securities	23,029	27,476
Investment income from held-to-maturity securities	25,357	24,541
Investment income from bank deposits	34,934	32,285
Investment income from loans	8,138	11,115
Other investment income	413	457
Net realized gains on financial assets	7,120	32,297

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Net fair value gains through profit or loss	5,808	10,209
Other income	4,185	5,060
<b>Total</b>	<b>440,766</b>	<b>507,449</b>

### ***Net Premiums Earned***

Net premiums earned increased by RMB 32,196 million, or 9.8%, to RMB 362,301 million in 2015 from RMB 330,105 million in 2014.

### ***Life Insurance Business***

Net premiums earned from life insurance business increased by RMB 22,507 million, or 7.9%, to RMB 308,081 million in 2015 from RMB 285,574 million in 2014. This was primarily due to an increase in the first-year premiums for policies with insurance duration of more than one year resulting from our enhanced efforts in team building and business development.

### ***Health Insurance Business***

Net premiums earned from health insurance business increased by RMB 8,231 million, or 25.2%, to RMB 40,855 million in 2015 from RMB 32,624 million in 2014. This was primarily due to our enhanced efforts in developing the health insurance business.

### ***Accident Insurance Business***

Net premiums earned from accident insurance business increased by RMB 1,458 million, or 12.2%, to RMB 13,365 million in 2015 from RMB 11,907 million in 2014. This was primarily due to our continued efforts in developing our accident insurance business.

### ***Investment Income***

Investment income increased by RMB 4,034 million, or 4.3%, to RMB 97,582 million in 2015 from RMB 93,548 million in 2014.

### ***Investment Income from Securities at Fair Value through Profit or Loss***

Investment income from securities at fair value through profit or loss increased by RMB 31 million, or 1.8%, to RMB 1,708 million in 2015 from RMB 1,677 million in 2014. This was primarily due to an increase in dividend income from stocks at fair value through profit or loss.

### ***Investment Income from Available-for-Sale Securities***

Investment income from available-for-sale securities increased by RMB 4,447 million, or 19.3%, to RMB 27,476 million in 2015 from RMB 23,029 million in 2014. This was primarily due to an increase in dividend income from available-for-sale funds, wealth management products and other equity investments.

### ***Investment Income from Held-to-Maturity Securities***

Investment income from held-to-maturity securities decreased by RMB 816 million, or 3.2%, to RMB 24,541 million in 2015 from RMB 25,357 million in 2014. This was primarily due to a decrease in the allocation in treasury bonds.

***Investment Income from Bank Deposits***

Investment income from bank deposits decreased by RMB 2,649 million, or 7.6%, to RMB 32,285 million in 2015 from RMB 34,934 million in 2014. This was primarily due to a decrease in the allocation of negotiated deposits and the decrease in investment yield of newly allocated deposits in the low interest rate environment.

***Investment Income from Loans***

Investment income from loans increased by RMB 2,977 million, or 36.6%, to RMB 11,115 million in 2015 from RMB 8,138 million in 2014. This was primarily due to an increase in the scale of policy loans and trust schemes.

***Net Realized Gains on Financial Assets***

Net realized gains on financial assets increased by RMB 25,177 million, to gains of RMB 32,297 million in 2015 from gains of RMB 7,120 million in 2014. This was primarily due to a significant increase in the spread income of available-for-sale stocks and funds.

***Net Fair Value Gains through Profit or Loss***

Net fair value gains through profit or loss increased by RMB 4,401 million to gains of RMB 10,209 million in 2015 from gains of RMB 5,808 million in 2014. This was primarily due to a significant increase in the spread income of stocks at fair value through profit or loss.

***Other Income***

Other income increased by RMB 875 million, or 20.9%, to RMB 5,060 million in 2015 from RMB 4,185 million in 2014. This was primarily due to an increase in the commission fees earned from CLPCIC resulting from our increased efforts in promoting the agency business.

<b>Benefits, Claims and Expenses</b>	<b>For the year ended December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Insurance benefits and claims expenses		
Life insurance death and other benefits	192,659	221,701
Accident and health claims and claim adjustment expenses	16,752	21,009
Increase in insurance contracts liabilities	105,883	109,509
Investment contracts benefits	1,958	2,264
Policyholder dividends resulting from participation in profits	24,866	33,491
Underwriting and policy acquisition costs	27,147	35,569
Finance costs	4,726	4,320
Administrative expenses	25,432	27,458
Other expenses	4,151	7,428
Statutory insurance fund contribution	701	743
<b>Total</b>	<b>404,275</b>	<b>463,492</b>

Segment information of insurance benefits and claims expenses		
Life insurance business	288,868	313,612
Health insurance business	22,434	34,398
Accident insurance business	3,992	4,209
<b>Total</b>	<b>315,294</b>	<b>352,219</b>

### ***Insurance Benefits and Claims Expenses***

Insurance benefits and claims, net of amounts ceded through reinsurance, increased by RMB 36,925 million, or 11.7%, to RMB 352,219 million in 2015 from RMB 315,294 million in 2014.

Life insurance death and other benefits payouts increased by RMB 29,042 million, or 15.1%, to RMB 221,701 million in 2015 from RMB 192,659 million in 2014. This was primarily due to an increase in maturities payable of life insurance business and annuity benefits. Accident and health claims and claim adjustment expenses increased by RMB 4,257 million, or 25.4%, to RMB 21,009 million in 2015 from RMB 16,752 million in 2014. This was primarily due to an increase in the volume of short-term health insurance and accident insurance business. Increase in insurance contracts liabilities increased by RMB 3,626 million, or 3.4%, to RMB 109,509 million in 2015 from RMB 105,883 million in 2014. This was primarily due to an increase in the scale of insurance business.

### ***Life Insurance Business***

Insurance benefits and claims expenses attributable to life insurance business increased by RMB 24,744 million, or 8.6%, to 313,612 million in 2015 from RMB 288,868 million in 2014. This was primarily due to an increase in the scale of life insurance business.

### ***Health Insurance Business***

Insurance benefits and claims expenses attributable to health insurance business increased by RMB 11,964 million, or 53.3%, to RMB 34,398 million in 2015 from RMB 22,434 million in 2014. This was primarily due to an increase in the scale of health insurance business and the update of actuarial assumptions used, such as the assumed discount rate for reserves relating to traditional insurance contracts.

### ***Accident Insurance Business***

Insurance benefits and claims expenses attributable to accident insurance business increased by RMB 217 million, or 5.4%, to RMB 4,209 million in 2015 from RMB 3,992 million in 2014. This was primarily due to an increase in the scale of accident insurance business.

### ***Investment Contract Benefits***

Investment contract benefits increased by RMB 306 million, or 15.6%, to RMB 2,264 million in 2015 from RMB 1,958 million in 2014. This was primarily due to an increase in the scale of investment contracts.

### ***Policyholder Dividends Resulting from Participation in Profits***

Policyholder dividends resulting from participation in profits increased by RMB 8,625 million, or 34.7%, to RMB 33,491 million in 2015 to RMB 24,866 million in 2014. This was primarily due to an increase in investment yields for participating products.

### ***Underwriting and Policy Acquisition Costs***

Underwriting and policy acquisition costs increased by RMB 8,422 million, or 31.0%, to RMB 35,569 million in 2015 from RMB 27,147 million in 2014. This was primarily due to an increase in underwriting costs for first-year regular premium business resulting from the growth of our business and the optimization of our business structure.





**Finance Costs**

Finance costs decreased by RMB 406 million, or 8.6%, to RMB 4,320 million in 2015 from RMB 4,726 million in 2014. This was primarily due to a decrease in interest payments for securities sold under agreements to repurchase.

**Administrative Expenses**

Administrative expenses include employees' remuneration and other administrative expenses. Administrative expenses increased by RMB 2,026 million, or 8.0%, to RMB 27,458 million in 2015 from RMB 25,432 million in 2014. This was primarily due to our increased investment in team building for the purpose of enhancing our sustainable development capacity.

**Other Expenses**

Other expenses increased by RMB 3,277 million, or 78.9%, to RMB 7,428 million in 2015 from RMB 4,151 million in 2014. This was primarily due to an increase in business taxes and surcharges expenses resulting from an increase in taxable income from investments.

Profit	For the year ended December 31,	
	2014 RMB	2015 RMB
	(in millions)	
Profit before income tax	40,402	45,931
Life insurance business	30,651	40,921
Health insurance business	3,252	557
Accident insurance business	1,546	1,753
Other businesses	4,953	2,700
Income tax	7,888	10,744
Net profit attributable to equity holders of the company	32,211	34,699

**Profit before Income Tax**

Our profit before income tax increased by RMB 5,529 million, or 13.7%, to RMB 45,931 million in 2015 from RMB 40,402 million in 2014.

**Life Insurance Business**

Profit before income tax in the life insurance business increased by RMB 10,270 million, or 33.5%, to RMB 40,921 million in 2015 from RMB 30,651 million in 2014. This was primarily due to the growth of business and an increase in income from investments as compared to the corresponding period of 2014.

**Health Insurance Business**

Profit before income tax in the health insurance business decreased by RMB 2,695 million, or 82.9%, to RMB 557 million in 2015 from RMB 3,252 million in 2014. This was primarily due to the update of actuarial assumptions used, such as the assumed discount rate for reserves relating to traditional insurance contracts, which partially reduced the profit for the period.



**Accident Insurance Business**

Profit before income tax in the accident insurance business increased by RMB 207 million, or 13.4%, to RMB 1,753 million in 2015 from RMB 1,546 million in 2014. This was primarily due to an increase in the scale of accident insurance business as compared to the corresponding period of 2014.

**Other Business**

Profit before income tax in other business decreased by RMB 2,253 million, or 45.5%, to RMB 2,700 million in 2015 from RMB 4,953 million in 2014. This was primarily due to a decrease in net profits of associates and the impairment of investments in an associate in 2015.

**Income Tax**

We pay income tax according to applicable Chinese enterprise income tax regulations and rules. Income tax increased by RMB 2,856 million or 36.2%, to RMB 10,744 million in 2015 from RMB 7,888 million in 2014. This was primarily due to an increase in profit before income tax.

**Net Profit Attributable to Equity Holders of the Company**

For the reasons set forth above, net profit attributable to equity holders of the Company increased by RMB 2,488 million, or 7.7%, to RMB 34,699 million in 2015 from RMB 32,211 million in 2014. This was primarily due to the increase in investment income and other factors. However, the update of actuarial assumptions used, such as the assumed discount rate for reserves relating to traditional insurance contracts, partially reduced the profit for the period.

<b>Major Assets</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(in millions)</b>	
Investment assets	2,100,870	2,287,639
Term deposits	690,156	562,622
Held-to-maturity securities	517,283	504,075
Available-for-sale securities	607,531	770,516
Securities at fair value through profit or loss	53,052	137,990
Securities purchased under agreements to resell	11,925	21,503
Cash and cash equivalents	47,034	76,096
Loans	166,453	207,267
Statutory deposits restricted	6,153	6,333
Investment properties	1,283	1,237
Other assets	145,697	160,676
<b>Total</b>	<b>2,246,567</b>	<b>2,448,315</b>

**Investment Assets**

Our total investment assets increased by RMB 186,769 million, or 8.9%, to RMB 2,287,639 million in 2015 from RMB 2,100,870 million in 2014.

***Term Deposits***

Term deposits decreased by RMB 127,534 million, or 18.5%, to RMB 562,622 million in 2015 from RMB 690,156 million in 2014. This was primarily due to a decrease in the allocation in negotiated deposits.

***Held-to-Maturity Securities***

Held-to-maturity securities decreased by RMB 13,208 million, or 2.6%, to RMB 504,075 million in 2015 from RMB 517,283 million in 2014. This was primarily due to a decrease in the allocation in treasury bonds.

***Available-for-Sale Securities***

Available-for-sale securities increased by RMB 162,985 million, or 26.8%, to RMB 770,516 million in 2015 from RMB 607,531 million in 2014. This was primarily due to an increase in the allocation in funds, wealth management products and unlisted equities in light of market conditions in a timely manner.

***Securities at Fair Value Through Profit or Loss***

Securities at fair value through profit or loss increased by RMB 84,938 million, or 160.1%, to RMB 137,990 million in 2015 from RMB 53,052 million in 2014. This was primarily due to an increase in the allocation of bonds at fair value through profit or loss.

***Cash and Cash Equivalents***

Cash and cash equivalents increased by RMB 29,062 million, or 61.8%, to RMB 76,096 million in 2015 from RMB 47,034 million in 2014. This was primarily due to the needs for liquidity management.

***Loans***

Loans increased by RMB 40,814 million, or 24.5%, to RMB 207,267 million in 2015 from RMB 166,453 million in 2014. This was primarily due to an increase in the scale of policy loans and trust schemes.

***Investment Properties***

Investment properties decreased by RMB 46 million, or 3.6%, to RMB 1,237 million in 2015 from RMB 1,283 million in 2014. This was primarily due to depreciation of investment properties.

<b>Major Liabilities</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(in millions)</b>	
<b>Liabilities</b>		
Insurance contracts	1,603,446	1,715,985
Investment contracts	72,275	84,106
Securities sold under agreements to repurchase	46,089	31,354
Policyholder dividends payable	74,745	107,774
Annuity and other insurance balances payable	25,617	30,092
Interest-bearing loans and borrowings	2,623	2,643
Bonds payable	67,989	67,994
Deferred tax liabilities	19,375	16,953
Other liabilities	47,077	65,200
<b>Total</b>	<b>1,959,236</b>	<b>2,122,101</b>



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***Liabilities***

Our total liabilities increased by RMB 162,865 million, or 8.3%, to RMB 2,122,101 million in 2015 from RMB 1,959,236 million in 2014.

***Insurance Contracts***

Liabilities of insurance contracts increased by RMB 112,539 million, or 7.0%, to RMB 1,715,985 million in 2015 from RMB 1,603,446 million in 2014. This was primarily due to the accumulation of insurance liabilities from new insurance business and renewal business. As at the date of the statement of financial position, our insurance contracts reserves passed liability adequacy testing.

***Investment Contracts***

The account balance of investment contracts increased by RMB 11,831 million, or 16.4% to RMB 84,106 million in 2015 from RMB 72,275 million in 2014. This was primarily due to an increase in the scale of certain investment contracts.

***Securities Sold under Agreements to Repurchase***

Securities sold under agreements to repurchase decreased by RMB 14,735 million, or 32.0%, to RMB 31,354 million in 2015 from RMB 46,089 million in 2014. This was primarily due to the needs for liquidity management.

***Policyholder Dividends Payable***

Policyholder dividends payable increased by RMB 33,029 million, or 44.2%, to RMB 107,774 million in 2015 from RMB 74,745 million in 2014. This was primarily due to an increase in investment yields of participating products.

***Annuity and Other Insurance Balances Payable***

Annuity and other insurance balances payable increased by RMB 4,475 million, or 17.5%, to RMB 30,092 million in 2015 from RMB 25,617 million in 2014. This was primarily due to an increase in maturities payable.

***Interest-bearing Loans and Borrowings***

Interest-bearing loans and borrowings remained stable compared to the end of 2014, and there were no new loans and borrowings in 2015. In June 2014, to meet the needs of our overseas investment, we obtained a fixed-interest rate bank loan of 275 million British pounds sterling with a term of five years. As at December 31, 2015, the loan balance was equivalent to RMB 2,643 million.

***Bonds Payable***

Bonds payable increased by RMB 5 million, to RMB 67,994 million in 2015 from RMB 67,989 million in 2014, remaining basically stable.

### *Deferred Tax Liabilities*

Deferred tax liabilities decreased by RMB 2,422 million, or 12.5%, to RMB 16,953 million in 2015 from RMB 19,375 million in 2014. This was primarily due to an increase in deductible temporary differences.

### *Equity Attributable to Equity Holders of the Company*

As of December 31, 2015, equity attributable to equity holders of the Company was RMB 322,492 million, an increase of RMB 38,371 million, or 13.5%, from RMB 284,121 million as of December 31, 2014. This was primarily due to the combined effect of an increase in the fair value of available-for-sale financial assets and the profit earned during 2015.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity Sources**

Our principal cash inflows come from insurance premiums, deposits from investment contracts, proceeds from sales and maturity of investment assets and investment income. The primary liquidity risks with respect to these cash inflows are the risk of early withdrawals by contract holders and policyholders, as well as the risks of default by debtors, interest rate changes and other market volatilities. We closely monitor and manage these risks. See Item 4. Information on the Company Business Overview Investments .

Our cash and bank deposits provide us with a source of liquidity to meet normal cash outflows. As of December 31, 2016, the amount of cash and cash equivalents was RMB 67,046 million. In addition, substantially all of our term deposits with banks allow us to withdraw funds on deposit, subject to a penalty interest charge. As of December 31, 2016, the amount of term deposits was RMB 538,325 million.

Our investment portfolio also provides us with a source of liquidity to meet unexpected cash outflows. We are also subject to market liquidity risk due to the large size of our investments in some of the markets in which we invest. In some circumstances, some of our holdings of investment securities may be large enough to have an influence on the market value. These factors may adversely affect our ability to sell these investments at an adequate price, or at all.

### **Liquidity Uses**

Our principal cash outflows primarily relate to the payables for the liabilities associated with our various life insurance, annuity, accident insurance and health insurance products, operating expenses, income taxes and dividends that may be declared and paid to our shareholders. Cash outflows arising from our insurance activities primarily relate to benefit payments under these insurance products, as well as payments for policy surrenders, policy withdrawals and policy loans.

We believe that our sources of liquidity are sufficient to meet our current cash requirements.



## Consolidated Cash Flows

We have established a cash flow testing system and conduct regular tests to monitor the cash inflows and outflows under various changing circumstances and adjust accordingly the asset portfolio to ensure sufficient sources of liquidity.

Net cash flow from operating activities amounted to a net inflow of RMB 89,098 million (US\$ 12,833 million) in 2016. Net cash flow from operating activities amounted to a net outflow of RMB 18,811 million in 2015. The change was primarily due to an increase in insurance income and the growth in the scale of investment contract accounts.

Net cash flow from investing activities amounted to a net outflow of RMB 104,703 million (US\$ 15,080 million) in 2016. Net cash flow from investing activities amounted to a net inflow of RMB 67,047 million in 2015. This change was primarily due to the demand of investment management.

Net cash flow from financing activities amounted to net inflow of RMB 6,270 million (US\$ 903 million) in 2016. Net cash flow from financing activities amounted to a net outflow of RMB 19,415 million in 2015. This change was primarily due to the demand of liquidity management.

Our global share offering in December 2003 provided cash proceeds of approximately RMB 24,707 million (US\$ 3,062 million). As of the date of this annual report, a part of the cash proceeds from our global offering was held in bank deposit accounts denominated in foreign currencies in China, and part of the cash proceeds was invested in securities listed on overseas stock exchanges, multi-asset portfolios and private equity funds. We invested approximately US\$ 433 million, in addition to RMB 2,282 million, in Guangdong Development Bank in December 2006. We used a total of approximately HK\$ 12 billion for investments in Sino-Ocean Land Holdings Limited in 2009, 2010 and 2013. As of December 31, 2016, we had engaged 13 investment managers to manage US\$ 1,300 million for investment in overseas public markets.

Our A share offering in December 2006 provided cash proceeds of approximately RMB 27,810 million. As at the end of 2016, the cash proceeds from our A share offering were used to increase our share capital.

Our issuance of Core Tier 2 Capital Securities in July 2015 provided cash proceeds of approximately US\$ 1,274 million. As at the end of 2016, cash proceeds from the issuance of Core Tier 2 Capital Securities were used to replenish our capital and raise our solvency ratio in accordance with applicable laws and approvals by regulatory authorities.

## Ratio of Assets and Liabilities

Our ratio of assets and liabilities (total liabilities divided by total assets) as at December 31, 2016, 2015 and 2014 are as follows:

	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016
Ratio of assets and liabilities	87.21%	86.68%	88.59%

## Insurance Solvency Requirements

We are required by CIRC regulation to maintain our solvency at a level in excess of minimum solvency levels. On January 1, 2016, the CIRC implemented a new set of solvency regulations, or C-ROSS, which replaced Solvency I. Under C-ROSS, the core solvency adequacy ratio of an insurer is calculated by dividing the core capital of an insurer by the minimum capital it is required to meet, and the comprehensive solvency adequacy ratio of an insurer is calculated by dividing the sum of core capital and supplementary capital of an insurer by the minimum capital it is required to meet. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements . The following table shows our solvency as of December 31, 2014, 2015 and 2016:

	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
	<i>(RMB in millions, except percentage data)</i>		
Core capital	639,396		
Actual capital	677,768	282,820 <sup>(1)</sup>	236,151 <sup>(1)</sup>
Minimum capital	228,080	85,676 <sup>(1)</sup>	80,193 <sup>(1)</sup>
Core solvency ratio	280.34%		
Comprehensive solvency ratio	297.16%	330.10% <sup>(2)</sup>	294.48% <sup>(2)</sup>

(1) Calculated under Solvency I.

(2) Refers to solvency ratio under Solvency I.

The decrease in our solvency ratio in 2016 was primarily due to the higher minimum capital requirement as a result of the growth of our insurance business.

In the second half of 2016, the CIRC conducted a regulatory review under the new Solvency Aligned Risk Management Requirements and Assessment framework, or SARMRA, on the solvency and risk positions of life insurers and non-life insurers in China. We understand we received one of the highest scores among life insurers in China. The SARMRA score links the risk management practices of insurers with capital requirements.

We issued Core Tier 2 Capital Securities of US\$ 1,280 million in July 2015 by taking advantage of favorable market opportunities, which effectively improved our solvency ratio. The Core Tier 2 Capital Securities were issued to qualified investors who meet applicable regulatory requirements and have an initial distribution rate of 4.00%.

## Contractual Obligations and Commitments

The following table sets out our contractual obligations and commitments as of December 31, 2016.

<b>As of December 31, 2016</b>	<b>Not later than 1 year</b>	<b>Later than 1 year but not later than 3 years</b>	<b>Later than 3 years but not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
	<i>(RMB in millions)</i>				
Securities sold under agreements to repurchase	81,088	0	0	0	81,088
Bonds payable	39,032	0	0	0	39,032
Annuity and other insurance balances payable	39,038	0	0	0	39,038
Insurance contracts	(43,322)	97,236	35,088	(3,229,394)	(3,140,392)
Investment contracts	(15,880)	(34,147)	(33,128)	(259,905)	(343,060)
Off balance sheet operating leases	632	611	153	27	1,423
Capital commitments	36,601	8,386	91	0	45,078
<b>Total</b>	<b>137,189</b>	<b>72,086</b>	<b>2,204</b>	<b>(3,489,272)</b>	<b>(3,277,793)</b>

Capital commitments mainly represent our commitments with respect to the acquisition of property, plant and equipment, and our investments.

The amounts set forth in the table above for insurance contracts and investment contracts in each column represent expected future cashflows on policies in force as at December 31, 2016. The estimate is affected by numerous assumptions (depending on the product type), including assumptions related to mortality, morbidity, lapses, withdrawals, credited rates, loss ratio, claim adjustment expenses and other assumptions which affect our estimates of future cashflows. Many of these assumptions are inherently uncertain and outside our control. Accordingly, the actual experience may differ from our estimates.

Furthermore, as the expected future cashflows reported in the table above are not discounted from the date of payment back to December 31, 2016, the sum of the expected future cashflows are different from the amount of corresponding liabilities in our consolidated balance sheet as of December 31, 2016. Policyholder dividends will not become a contractual obligation until the applicable policy anniversary is reached and the dividend amount is credited to the policy benefit liability or paid to the policyholder, and hence are not included in the table above. Reinsurance recoveries have not been taken into account.

Other than as set forth under capital commitments, we had no material, individually or in the aggregate, purchase obligations as of December 31, 2016.

## C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

None.

## D. TREND INFORMATION

Please refer to our discussion in each section under [Overview of Our Business](#) , [Factors Affecting Our Results of Operations](#) , [Critical Accounting Policies](#) and [Operating Results](#) .

We review assumptions used in establishing reserves for long term insurance contracts and the impact of changes in these assumptions on our net profit. Changes in these assumptions might have a significant impact on our operating results. Changes in these assumptions resulted in an increase of RMB 14,736 million in profit before income tax in 2016, a decrease of RMB 9,497 million in profit before income tax in 2015 and an increase of RMB 4,179 million in profit before income tax in 2014. The sensitivity analysis of these assumptions is as follows:

holding all other variables constant, if mortality rates and morbidity rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB 16,746 million lower or RMB 17,492 million higher, respectively.

holding all other variables constant, if lapse rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB 2,823 million lower or RMB 2,953 million higher, respectively.

holding all other variables constant, if the discount rates were 50 basis points higher or lower than the current best estimate, pre-tax profit for the year would have been RMB 57,591 million higher or RMB 65,427 million lower, respectively.

See also Note 4.1.3 and Note 14 to our consolidated financial statements included elsewhere in this annual report.

## E. OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2016, there were no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

See [Liquidity and Capital Resources](#) [Contractual Obligations and Commitments](#) .

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our current directors and executive officers. Unless otherwise indicated, their business address is c/o China Life Insurance Company Limited, 16 Financial Street, Xicheng District, Beijing 100033, China.

Name	Age	Position
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Yang Mingsheng	61	Chairman of the board of directors and executive director
Lin Dairen	58	Executive director and president
Xu Hengping	58	Executive director and vice president
Xu Haifeng	57	Executive director and vice president
Wang Sidong	55	Non-executive director
Liu Jiade	54	Non-executive director
Chang Tso Tung Stephen	68	Independent director
Robinson Drake Pike	65	Independent director
Tang Xin	45	Independent director
Leung Oi-Sie Elsie	77	Independent director
Li Mingguang	47	Vice president and chief actuary
Zhao Lijun	53	Vice president
Xiao Jianyou	48	Vice President
Zheng Yong	54	Board secretary
Ruan Qi	50	Chief Information Technology Officer

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**Directors**

**Yang Mingsheng** has been our chairman and executive director since May 2012. He has been the chairman of CLIC and CLPCIC since March 2012, the chairman of China Life Insurance (Overseas) Company Limited since January 2013, the chairman of AMC since December 2013 and the chairman of China Guangfa Bank Co., Ltd. since September 2016. Mr. Yang has many years of experience in financial industry. He served as a vice chairman of the CIRC from 2007 to 2012, and worked for the Agricultural Bank of China from 1980 to 2007, where he held various positions such as vice president of the Shenyang branch, head of the industrial credit department and president of the Tianjin branch. He was appointed as vice president of the Agricultural Bank of China in 1997 and was then promoted to president of the Agricultural Bank of China in 2003. Mr. Yang, a senior economist, graduated from the faculty of finance of Nankai University with a master's degree in economics, majoring in monetary banking.

**Lin Dairen** was appointed as our president by board of directors in March 2014 and has been our executive director since October 2008. Mr. Lin also acts as the non-executive director of CLPCIC and China Life Pension. Mr. Lin served as the vice president of our company from 2003 to March 2014, and served as the executive director and president of China Life Pension from November 2006 to March 2014. Mr. Lin graduated in 1982 with a bachelor's degree in medicine from Shandong Province Changwei Medical Institute. Mr. Lin, who is a senior economist, has over 30 years of experience in the operation of life insurance businesses and insurance management, and was awarded special allowance by the State Council. He is currently the chairman of the China Life Foundation, vice chairman of the Insurance Institute of China and the Insurance Association of China and the director of the Life Insurance Committee of the Insurance Association of China.

**Xu Hengping** has been an executive director since July 2015 and a vice president of our company since November 2014. He has been the chief operating officer of our company since August 2010. Mr. Xu had been the general manager of our Fujian branch since April 2007, deputy general manager of our Fujian branch from December 2002, assistant to the general manager of our Fujian branch from September 1998, and director of personal insurance division of our Fujian branch since July 1996. Mr. Xu previously served as general manager of sales department and general manager of Longyan branch of Fuzhou Life Insurance Company Limited. Mr. Xu graduated from Hunan University, majoring in finance. Mr. Xu, a senior economist, has over 30 years of experience in the operation of life insurance businesses and insurance management.

**Xu Haifeng** has been an executive director since July 2015 and has been a vice president of our company since November 2014. He has been the business controller of our company and general manager of our Hebei branch concurrently since February 2014. Mr. Xu served as the general manager of our Beijing branch and the general manager of our Hebei branch from 2006 to 2014. Prior to that, Mr. Xu served as the deputy general manager and general manager of our Linyi branch in Shandong Province and the general manager of the business management department in our Shandong branch, the general manager of our Jinan branch and the deputy general manager of our Beijing branch. Mr. Xu graduated from Linyi Foreign Language Normal University in 1982 and from Shandong Provincial Party School majoring in economic management in 1996, and obtained a master degree in business administration from Zhongnan University of Economics and Law in 2007. Mr. Xu, a senior economist, has over 30 years of experience in the operation of life insurance businesses and insurance management.

**Wang Sidong** has been a non-executive director of our company since July 2012. He became the vice president of CLIC, the chairman of IHC and a director of China Life Pension in June 2004. Mr. Wang worked for the Ministry of Foreign Economic Relations and Trade, the Xinhua News Agency Hong Kong branch, and the Hong Kong Chinese Enterprises Association. He served as deputy director of the general office of China Life Insurance Company, deputy general manager of its Zhejiang branch and deputy director of the shares reform office of China Life Insurance Company from 2000. Mr. Wang was the director of the general office of CLIC in 2003. Mr. Wang graduated from Shandong University with a bachelor's degree of arts, majoring in Chinese language and literature.

**Liu Jiade** has been a non-executive director of our company since July 2015. He is the vice chairman and president of China Guangfa Bank Co., Ltd. Mr. Liu has been a director of China Guangfa Bank Co., Ltd. since December 2006. He previously served as the vice president of CLIC and the chairman of China Life Pension. Mr. Liu has been a supervisor of Sinopec Sales Company Limited since March 2015. Mr. Liu served as our vice president from 2003 to March 2014, and also served as a director of AMC, CLPCIC and China Life Franklin Asset Management Company Limited. He served as the deputy director and the director of the trade and finance department of the Ministry of Finance, the vice county magistrate (in a titular position) of Guantao County of Hebei Province and the deputy director of the Finance Department of the Ministry of Finance. He is currently a member of the Accounting Informatization Committee of the Ministry of Finance. Mr. Liu, a senior economist, graduated from the Central Finance College (now known as the Central University of Finance and Economics) majoring in finance with a bachelor's degree in economics.

**Chang Tso Tung Stephen** has been an independent director of our company since October 2014. He served as the vice chairman of the Greater China Region of Ernst & Young, the managing partner for professional services and the chairman of auditing and consulting service of Ernst & Young until his retirement in 2004. From 2007 to 2013, Mr. Chang was an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. Mr. Chang is currently an independent non-executive director of China Cinda Asset Management Co., Ltd., Kerry Properties Limited and Hua Hong Semiconductor Limited, all of which are listed on the Hong Kong Stock Exchange. Mr. Chang has been practicing as a certified public accountant in Hong Kong for approximately 30 years and has extensive experience in accounting, auditing and financial management. Mr. Chang holds a bachelor of science degree from the University of London, and is a fellow member of the Institute of Chartered Accountants in England and Wales.

**Robinson Drake Pike** has been an independent director of our company since July 2015. Before his retirement from Goldman Sachs in 2014, Mr. Pike served as the managing director of Goldman Sachs and the chief representative of the Beijing Representative Office of Goldman Sachs International Bank UK from August 2011 to May 2014, and the managing director of Goldman Sachs and a senior advisor and project coordinator seconded to the Industrial and Commercial Bank of China by Goldman Sachs from January 2007 to August 2011. From July 2000 to December 2006, he was Lehman Brothers' senior vice president, deputy head and head of Asia Credit Risk Management. Mr. Pike currently sits on the four-member Committee of Inspection of Peregrine Fixed Income Limited. He has over 30 years of experience in Asian financial industry with a focus on risk management and China's banking industry. He holds a bachelor of arts degree in Chinese Language and Literature from Yale University and a master of public affairs degree in development economics from Princeton University's Woodrow Wilson School.

**Tang Xin** has been an independent director of our company since March 2016. He is a professor of the School of Law of Tsinghua University, the deputy head of the commercial law research center of Tsinghua University, an associate editor of *Tsinghua Law Review*, a member of the listing committee of the Shanghai Stock Exchange, the chairman of the independent director committee of the Listed Companies Association of the PRC, and an independent director of each of Harvest Fund Management Co., Ltd. and GF Securities Co., Ltd.. Mr. Tang was elected as a member of the first and second sessions of the merger, acquisition and reorganization review committee of the China Securities Regulatory Commission from 2008 to 2010. He served as an independent director of China Spacesat Co., Ltd. from 2009 to 2014, an independent director of each of SDIC Power Holdings Co., Ltd. and Changjiang Securities Company Limited from 2009 to 2013, and an independent director of Beijing Rural Commercial Bank Co., Ltd. from 2009 to

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2015. Mr. Tang graduated from Renmin University of China with bachelor's, master's and doctorate degrees in law.



**Leung Oi-Sie Elsie** has been an independent director of our company since July 2016. She was previously the first Secretary for Justice of Hong Kong as well as a member of the Executive Council of Hong Kong. She is currently the deputy director of the Hong Kong Basic Law Committee of the Standing Committee of the National People's Congress and a consultant of Iu, Lai & Li Solicitors & Notaries. Ms. Leung served as a member of the Social Welfare Advisory Committee and the Equal Opportunities Commission, an executive committee member and a council member of the Hong Kong Federation of Women, the President of the International Federation of Women Lawyers and the Honorary President of the Nanhai Worldwide Friendship Federation. She is a Justice of the Peace, a notary public and a China-appointed attesting officer. She has been awarded the Grand Bauhinia Medal. Ms. Leung holds a master's degree in law from the University of Hong Kong, and is a fellow of the International Academy of Matrimonial Lawyers. She has been admitted as a solicitor in both Hong Kong and England and Wales. Ms. Leung has been serving as an independent non-executive director of United Company RUSAL Plc since December 2009, an independent non-executive director of China Resources Power Holdings Company Limited since April 2010 and an independent non-executive director of Beijing Tong Ren Tang Chinese Medicine Company Limited since May 2013.

### Supervisors

The following table sets forth information regarding our current supervisors.

Name	Age	Position
Miao Ping	59	Chairperson of the board of supervisors
Shi Xiangming	57	Supervisor
Xiong Junhong	48	Supervisor
Zhan Zhong	48	Employee representative supervisor
Wang Cuifei	53	Employee representative supervisor

**Miao Ping** has been the chairperson of our board of supervisors since July 2015. He has been an executive director of our company since July 2014 and a vice president of our company since December 2009. He served as the general manager of our Jiangsu branch since September 2006. Mr. Miao has served as the general manager of our Jiangxi branch from September 2004 to September 2006, and has been a deputy general manager of our Jiangsu branch since April 2002. Mr. Miao graduated from the Correspondence College of Yangzhou University in 1996, majoring in economics and management. Mr. Miao, a senior economist, has over 30 years of experience in the operation of life insurance businesses and the management of insurance businesses.

**Shi Xiangming** has been a supervisor of our company since May 2009 and the general manager of the supervisory department of our company since September 2008. Mr. Shi served as the deputy general manager of the human resources department and the office director of our company from September 2003 to September 2008. From March 2002 to August 2003, Mr. Shi served as the deputy general manager of the supervisory department of China Life Insurance Company. Mr. Shi graduated from the chemistry school of the first branch college of Beijing University, and received a bachelor's degree in science.

**Xiong Junhong** has been a supervisor of our company since October 2014. She is a senior economist with a PhD in finance from Nankai University. From July 1993 to August 2003, Ms. Xiong worked at the banking department and trust department of China People's Insurance Trust and Investment Company, and at the assets management department of China Life Insurance Company. Ms. Xiong served as the director of the assets management department of CLIC from September 2003, the senior manager of the strategic planning department of CLIC from August 2006, the assistant to the general manager of the strategic planning department of CLIC from September 2008, the assistant to the general manager (equivalent to the level of departmental deputy general manager of CLIC) of the Hebei branch of our company from December 2010, and the deputy general manager of the strategic planning department of CLIC since June 2013. Ms. Xiong has many years of experience in strategic management and investment study, and has extensive experience in assets preservation, risk management, management of retained assets, investment study and strategic planning.

**Zhan Zhong** has been a supervisor of our company since July 2015, and has been serving as the general manager of the personal insurance division of our company (general manager level of provincial branches) since July 2014. Mr. Zhan served as the general manager of our company's Qinghai branch from January 2014 to June 2014. Mr. Zhan joined our company in November 1994, and has successively served as the general manager of the personal insurance division of our Guangdong branch, assistant general manager of our Guangdong Branch, deputy general manager (responsible for daily operations) and general manager of the personal insurance division of our company and deputy secretary of the party committee and deputy general manager (responsible for daily operations) of our Qinghai branch. Mr. Zhan graduated from Kunming Institute of Technology with a bachelor's degree in computer and automation.

**Wang Cuifei** has been a supervisor of our company since July 2015, and has been serving as the general manager of the customer service department of our company since September 2014. Ms. Wang served as the general manager of the sales inspection department of our company from March 2009 to August 2014. Ms. Wang joined our company in July 2001, and has served successively as the person-in-charge (deputy director level) and general manager (division level) of the training management division of the brokerage agency department, deputy general manager of the bancassurance department and general manager of the sales inspection department of our company. Ms. Wang graduated from the Party School of the Central Committee of CPC with a bachelor's degree in economic management.

### Senior Management

**Lin Dairen**, see [Directors and Senior Management Directors](#) for his profile.

**Xu Hengping**, see [Directors and Senior Management Directors](#) for his profile.

**Xu Haifeng**, see [Directors and Senior Management Directors](#) for his profile.

**Li Mingguang** has been a vice president of our company since November 2014, and our chief actuary since March 2012. Mr. Li joined our company in 1996 and subsequently served as deputy director, director, assistant to the general manager of product development department, responsible actuary of our company and general manager of our actuarial department. Mr. Li graduated from Shanghai Jiao Tong University in computer science with a bachelor's degree in 1991, Central University of Finance and Economics majoring in monetary banking (actuarial science) with a master's degree in 1996 and Tsinghua University with an EMBA in 2010, and also studied at the University of Pennsylvania in the United States in 2011. Mr. Li is a fellow of the China Association of Actuaries (FCAA) and a fellow of the Institute and Faculty of Actuaries (FIA). He was the chairman of the first session of the China Actuarial Work Committee and the secretary-general of the first and the second session of the China Association of Actuaries. He is currently the executive director of the China Association of Actuaries and a special executive of the board of directors of the Insurance Institute of China.



**Zhao Lijun** has been a vice president of our company since July 2016, and our chief financial officer since November 2016. He was the chief financial officer and general manager of the finance department of CLIC from May 2014 to April 2016. From 2012 to 2014, Mr. Zhao successively served as the deputy general manager (responsible for daily operation) and general manager of the data center of our company. From 2010 to 2012, Mr. Zhao served as the general manager of the legal and compliance department of our company. From 2008 to 2010, Mr. Zhao served as the deputy general manager of the Shandong branch of our company. From 2003 to 2008, Mr. Zhao successively served as an assistant to the general manager and the general manager of the finance department of our company. Prior to that, he served as a cadre in the finance & planning department of People's Insurance Company of China, the director, deputy manager and manager of the finance department of China Reinsurance Corporation in Hong Kong, the deputy manager and manager of the finance department of China Insurance H.K. (Holdings) Company Limited and the deputy director, director and assistant to the general manager of the planning & finance department of China Life Insurance Company. Mr. Zhao graduated from the accounting department of Anhui Finance & Trade College with a bachelor's degree in accounting and finance in 1987 and from Tsinghua University with an EMBA in 2010. Mr. Zhao is a senior accountant.

**Xiao Jianyou** has been a vice president of our company since October 2016. He served as the assistant president of our company from July 2015 to October 2016. He has been the general manager of our Jiangsu branch since January 2014. From April 2013 to January 2014, he was the vice general manager (in charge of the management work) at our Jiangsu branch. From 2006 to 2013, he held various positions at our company, including the vice general manager, assistant to general manager and marketing director of Jiangsu branch and general manager and vice general manager of Taizhou branch. Before that, Mr. Xiao held various other positions at our Jiangsu branch, including deputy manager of the marketing department and management department, assistant to general manager, vice general manager (in charge of the management work) and general manager of the individual insurance department. In 1991, Mr. Xiao graduated from Jiangxi Traditional Chinese Medicine College, and received a bachelor of medicine at Jiangxi Traditional Chinese Medicine College and a bachelor of law at Nanjing University, respectively. Mr. Xiao is a senior economist.

**Ruan Qi** has been the chief information technology officer of our company since October 2016 and the general manager (at the general manager grade of the provincial branch) of the information technology department of our company since March 2016. He served as the general manager of the data center of our company and the general manager (at the general manager grade of the provincial branch) of the information technology department of our company from 2014 to 2016, and the deputy general manager and the general manager of the information technology department of our company from 2004 to 2014. He served as a staff member of the computer department of the Fujian branch, the deputy head of the technical division of the computer office, an assistant to the director and the deputy director of the computer office and the deputy manager (responsible for daily operation) and the manager of the information technology department of the Fujian branch from 1989 to 2004. He was a cadre at Fujian Research Institute of Posts and Telecommunications from 1987 to 1989. He graduated from Beijing Institute of Posts and Telecommunications in August 1987 with a bachelor's degree in computer science and communications and from Xiamen University in December 2007 with a master's degree in business administration for senior management (EMBA). Mr. Ruan is a senior engineer.

**Zheng Yong** has been the board secretary of our company since June 2013. He previously held positions as department head at the Ministry of Justice of the PRC, a practicing lawyer at Beijing Long An Law Firm, China Legal Service Ltd. (Hong Kong), and Beijing De Heng Law Offices, the deputy general manager of our department of legal affairs, company secretary, and general manager of our legal and compliance department, and an executive director and deputy president of China Guangfa Bank Co., Ltd. Mr. Zheng received his LL.B. degree from Peking University, and LL.M. degrees from the China University of Political Science and Law and University of Essex (UK). Mr. Zheng was a visiting researcher at Harvard Law School and Harvard Kennedy School of Government in the United States from August 1996 to October 1997. Mr. Zheng currently serves as an arbitrator of the China International Economic and Trade Arbitration Commission, and is a senior economist.



**B. COMPENSATION****Compensation of Directors, Supervisors and Officers**

Our directors, supervisors and executive officers receive compensation in the form of salaries, bonuses and other benefits-in-kind, including our contribution to the pension plan on behalf of our directors, supervisors and executive officers. As required by PRC regulations, we participate in various defined contribution retirement plans organized by provincial and municipal governments for our employees, including employees who are directors, supervisors and executive officers.

The following table sets forth the amounts of compensation paid to each of our directors and supervisors for the fiscal year ended December 31, 2016. The total compensation package for our executive directors and chairman of the board of supervisors for the year ended December 31, 2016 has not yet been finalized in accordance with regulations of the relevant PRC authorities. The amount of the compensation not provided for is not expected to have a significant impact on our financial statements for the year ended December 31, 2016. We will make further disclosure of the amount of the final compensation when it is determined.

Name	Compensation for				Total
	Salaries/Fees	Inducement Fees	Other <sup>(1)</sup> Benefits	loss of office as director	
	<i>RMB in ten thousands</i>				
Yang Mingsheng					
Lin Dairen	140.00		24.56		164.56
Xu Hengping	113.40		24.48		137.88
Xu Haifeng	113.40		24.18		137.58
Wang Sidong					
Liu Jiade					
Chang Tso Tung Stephen	32.00				32.00
Robinson Drake Pike	32.00				32.00
Tang Xin <sup>(2)</sup>	26.67				26.67
Leung Oi-Sie Elsie <sup>(3)</sup>	15.00				15.00
Zhang Xiangxian <sup>(4)</sup>					
Miao Jianmin <sup>(5)</sup>					
Huang Yiping <sup>(6)</sup>	5.33				5.33
Anthony Francis Neoh <sup>(7)</sup>	15.00				15.00
Miao Ping	114.80		24.48		139.28
Shi Xiangming	66.69	51.22	30.03		147.94
Xiong Junhong					
Zhan Zhong	69.26	53.12	30.45		152.83
Wang Cuifei	61.55	47.23	29.29		138.07
<b>Total</b>	<b>956.67</b>		<b>187.47</b>		<b>1,144.14</b>

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- (1) Include benefits-in-kind, social insurance, housing fund and enterprise annuity to be paid by the employer.
- (2) Appointed as independent director on March 7, 2016.

- (3) Appointed as independent director on July 20, 2016.  
(4) Resigned as non-executive director on August 3, 2016.  
(5) Resigned as non-executive director on April 7, 2017.  
(6) Resigned as independent director on March 7, 2016.  
(7) Retired as independent director on July 20, 2016.

The following table sets forth the amounts of compensation paid to each of our executive officers other than those disclosed in the table above, including vice presidents who are not our directors and our assistant president, chief actuary, chief financial officer and board secretary, for the year ended December 31, 2016. The total compensation package for our executive officers for the year ended December 31, 2016 has not yet been finalized in accordance with regulations of the relevant PRC authorities. The amount of the compensation not provided for is not expected to have a significant impact on our financial statements for the year ended December 31, 2016. We will make further disclosure of the amount of the final compensation when it is determined.

Name	Compensation for			Total
	Salaries/Fees	Inducement Fees	Other (1) Benefits	
	<i>RMB in ten thousands</i>			
Li Mingguang	113.40		24.64	138.04
Zhao Lijun <sup>(1)</sup>	56.70		12.22	68.92
Xiao Jianyou <sup>(2)</sup>	107.33		24.75	132.08
Zheng Yong	105.00		32.47	137.47
Ruan Qi <sup>(3)</sup>	24.50		8.60	33.10
Yang Zheng <sup>(4)</sup>	65.33		14.05	79.38
Huang Xiumei <sup>(5)</sup>	16.33		3.05	19.38
<b>Total</b>	<b>488.59</b>		<b>119.78</b>	<b>608.37</b>

- (1) Appointed as vice president in July 2016.  
(2) Retired as assistant president and appointed as vice president in October 2016. The amount of compensation includes the compensation received both as assistant president and vice president.  
(3) Appointed as chief information technology officer in October 2016.  
(4) Retired as vice president in August 2016.  
(5) Retired as financial controller in February 2016.

The aggregate amount of compensation we paid to our five highest paid individual employees, including one director and four supervisors during the year ended December 31, 2016, was approximately RMB 7.43 million (US\$ 1.07 million). The amount of compensation we paid to our highest paid individual employee, during the year ended December 31, 2016, was approximately RMB 1.65 million.

### Senior Management Compensation

Our senior management's compensation consists of four components, including basic salaries, performance-based salaries, fringe benefits and mid to long-term incentive compensation.



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We have set up a comprehensive performance management system. A performance appraisal method for our officers is used to appraise the performance of the officers annually. Measures for such appraisal include a business performance index based on our budget and targets as approved by our board of directors; as well as a management performance index based on the duties and functions of the office position, establishing a connection between the achievement of our major business targets and the office performance appraisal.

In accordance with relevant policies of the PRC government, no stock appreciation rights of our company were granted or exercised in 2016. For other details of the stock appreciation rights which were previously granted by us, please refer to Note 30 to our consolidated financial statements included elsewhere in this annual report.

## **C. BOARD PRACTICES**

### **General**

Our board of directors consists of ten members. Our directors are elected to serve a term of three years, which is renewable upon re-election. Our directors are elected at meetings of our shareholders, and, unless they resign at an earlier date, are deceased or removed, will serve three-year terms. The current term for our board of directors began in May 2015. Our directors are not currently entitled to severance benefits other than benefits provided by law upon termination of employment. In the event our Company is acquired, including an acquisition of control by another person, and a director leaves employment or retires following the acquisition, the director may receive severance and other payments upon approval by the shareholders in general meeting.

We have identified various board members as being independent, in accordance with Hong Kong laws and regulations. These requirements vary in certain respects from independence requirements under U.S. law. The members of our audit committee are independent as defined by the rules of the Securities and Exchange Act and the New York Stock Exchange which are applicable to us.

The PRC company law requires a joint stock company with limited liability to establish a board of supervisors. Our board of supervisors is responsible for monitoring our financial matters and supervising the actions of our board of directors and our management personnel. Our board of supervisors consists of five members. At least one-third of our board of supervisors must be elected by our employees. The remaining members must be elected by our shareholders in a general meeting. One member of our board of supervisors is designated as the chairman. Members of our board of supervisors may not serve as director or member of senior management. The term of office for our supervisors is three years, which is renewable upon re-election. The current term for our board of supervisors began in May 2015.

### **Board Committees**

We have established standing audit, nomination and remuneration, risk management and strategy and investment decision committees.

The primary duties of the audit committee are to review and supervise the financial reporting process, to assess the effectiveness of our internal control system, to supervise our internal audit system and its implementation and to implement and recommend the engagement or replacement of external auditors. Our audit committee is also responsible for communications between our internal and external auditors and our internal reporting system. Our audit committee is currently comprised of Robinson Drake Pike, Chang Tso Tung Stephen and Tang Xin. Mr. Robinson Drake Pike serves as the chairman.

The primary duties of the nomination and remuneration committee are to review the structure and components of our board of directors, to formulate the appointment and successors to our board of directors and senior management, to review and recommend the nomination of our directors and senior officers, as well as to propose to our board of directors the remuneration policy for our directors, supervisors and senior management. Our nomination and remuneration committee is currently comprised of Chang Tso Tung Stephen, Robinson Drake Pike and Wang Sidong. Mr. Chang Tso Tung Stephen serves as the chairman.

The primary duties of the risk management committee are to formulate our risk control benchmark system, to assist the management in establishing and improving our risk management and internal control system, to review our risk preference and tolerance policy, to formulate our risk management policy, to review the assessment reports with respect to our risk management and internal control, to conduct research on important findings from internal investigations with respect to risk management and internal control and management's responses to such findings and to coordinate and handle disagreements on risk management and sudden and significant risks or crises. Our risk management committee is currently comprised of Leung Oi-Sie Elsie, Xu Hengping and Liu Jiade. Ms. Leung-Oi-Sie Elsie serves as the chairman.

The primary duties of the strategy and investment decision committee are to formulate our long-term development strategies and significant investment and financing plans, to propose significant projects of capital operation and assets management, and to conduct research and make recommendations on other important matters that affect our development. Our strategy and investment decision committee is currently comprised of Tang Xin, Lin Dairen, Xu Haifeng and Leung Oi-Sie Elsie. Mr. Tang Xin serves as the chairman.

#### D. EMPLOYEES

As of December 31, 2014, 2015 and 2016 we had approximately 103,123, 98,823 and 99,739 employees, respectively. The following table sets forth the number of our employees by their functions as of December 31, 2014, 2015 and 2016.

	As of December 31					
	2014		2015		2016	
	Number	%	Number	%	Number	%
	of	of	of	of	of	of
	employees	total	employees	total	employees	total
Management and administrative staff	22,304	21.63%	23,941	24.23%	21,868	21.93%
Financial and auditing staff	6,287	6.10%	5,373	5.44%	5,225	5.24%
Sales and sales management staff	34,783	33.73%	33,036	33.43%	36,091	36.19%
Underwriters, claim specialists and customer service staff	31,291	30.34%	29,330	29.68%	28,420	28.49%
Other professional and technical staff <sup>(1)</sup>	3,838	3.72%	2,674	2.71%	3,488	3.50%
Other	4,620	4.48%	4,469	4.52%	4,647	4.66%
<b>Total<sup>(2)</sup></b>	<b>103,123</b>	<b>100%</b>	<b>98,823</b>	<b>100%</b>	<b>99,739</b>	<b>100%</b>

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- (1) Includes actuaries, product development personnel, investment management personnel and information technology specialists.
- (2) Includes employees of our subsidiaries.

As of December 31, 2014, 2015 and 2016, we had approximately 743,000, 979,000 and 1,495,000 exclusive agents, respectively. During 2016, we attracted more new qualified agents by expanding our recruitment program, making further efforts in training new qualified agents and strengthening sales support. In addition, in August 2015, the CIRC cancelled the qualification certificates requirements for the individual insurance agents, which helped to facilitate our recruitment process. However, we still adhered to our own standards for recruitment to ensure the quality and productivity of our exclusive agent force. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries and Item 3. Key Information Risk Factors Risks Relating to Our Business Our growth is dependent on our ability to attract and retain productive agents .

None of our employees is subject to collective bargaining agreements governing employment with us. We believe that our employee relations are satisfactory.

### E. SHARE OWNERSHIP

As of the date of this annual report, none of our directors, supervisors or senior managers is a legal or beneficial owner of any shares of our share capital.

### ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

#### A. MAJOR SHAREHOLDERS

The table below sets forth information regarding the ownership of our share capital as of April 7, 2017 by all persons who are known to us to be the beneficial owners of 5% or more of each class of our share capital.

Title of Class	Identity of Person or Group	Amount Owned	Percentage of Class	Percentage of Total Share Capital
A Shares	China Life Insurance (Group) Company	19,323,530,000 (Long position)	92.80%	68.37%
H Shares	BlackRock, Inc <sup>(1)</sup>	534,704,107 (Long position)	7.19%	1.90%
		2,647,000 (Short position)	0.04%	0.01%
H Shares	JPMorgan Chase & Co. <sup>(2)</sup>	525,848,397 (Long position)	7.06%	1.86%
		52,070,026 (Short position)	0.69%	0.18%
		258,077,758 (Lending pool)	3.46%	0.91%

*Note (1):* BlackRock, Inc. was interested in a total of 534,704,107 H shares in accordance with the provisions of Part XV of the SFO. Of these shares, BlackRock Investment Management, LLC, BlackRock Financial Management, Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Advisors, LLC, BlackRock Japan Co., Ltd, BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock Asset Management North Asia Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Asset Management Deutschland AG, BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock (Singapore) Limited and BlackRock Asset Management (Schweiz) AG were interested in 2,551,000 H shares, 2,530,000 H shares, 92,155,639 H shares, 159,357,000 H shares, 1,156,405 H shares, 42,270,783 H shares, 1,558,495 H shares, 4,632,000 H shares, 34,686,956 H shares, 1,184,000 H shares, 15,259,785 H shares, 3,351,700 H shares, 49,231,718 H shares, 59,626,965 H shares, 30,514,834 H shares, 434,000 H shares, 12,364,556 H shares, 20,986,271 H shares, 816,000 H shares and 36,000 H shares respectively. All of these entities are either controlled or indirectly controlled subsidiaries of BlackRock, Inc. Of these 534,704,107 H shares, 328,550 H shares were cash settled unlisted derivatives.

BlackRock, Inc. held by way of attribution a short position as defined under Part XV of the SFO in 2,647,000 H shares (0.04%). Of these 2,647,000 H shares, 1,055,000 H shares were cash settled unlisted derivatives.

*Note (2):* JPMorgan Chase & Co. was interested in a total of 525,848,397 H shares in accordance with the provisions of Part XV of the SFO. Of these shares, J.P. Morgan Securities LLC, JF Asset Management Limited, CIFM Asset Management (Hong Kong) Limited, J.P. Morgan Investment Management Inc., J.P. Morgan GT Corporation, J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., J.P. Morgan Chase Bank Berhad, JPMorgan Asset Management (UK) Limited and China International Fund Management Co Ltd were interested in 107,021,485 H shares, 1,065,000 H shares, 15,000 H shares, 221,000 H shares, 6,765,000 H shares, 18,390,537 H shares, 130,463,689 H shares, 258,085,993 H shares, 1,637,693 H shares 743,000 H shares and 1,440,000 H shares respectively. All of these entities are either controlled or indirectly controlled subsidiaries of JPMorgan Chase & Co.

Included in the 525,848,397 H shares are 258,077,758 H shares (3.46%) which are held in the lending pool, as defined under Section 5(4) of the Securities and Futures (Disclosure of Interests Securities Borrowing and Lending) Rules. Of these 525,848,397 H shares, 29,847,355 H shares were physically settled listed derivatives, 15,182,000 H shares were cash settled listed derivatives, 568,388 H shares were physically settled unlisted derivatives and 7,468,386 H shares were cash settled unlisted derivatives.

JPMorgan Chase & Co. held a short position as defined under Part XV of the SFO in 52,070,026 H shares (0.69%). Of these 52,070,026 H shares, 13,586,845 H shares were physically settled listed derivatives, 14,494,200 H shares were cash settled listed derivatives, 2,836,132 H shares were physically settled unlisted derivatives and 16,879,536 H shares were cash settled unlisted derivatives.

Our A shares and H shares generally vote together as a single class, including in the election of directors. Each A share and each H share is entitled to one vote. In addition, in certain matters which affect the rights of the holders of H shares or A shares, the H shares or A shares, as the case may be, are entitled to vote as a separate class.

CLIC converted and sold 676,470,000 domestic shares in the form of H shares or ADSs in connection with our global offering in December 2003.

Based on the information provided by Deutsche Bank Trust Company Americas, our depositary bank, as of December 31, 2016 and April 5, 2017, there were, respectively, 25,580,053 ADRs representing 127,900,265 H shares, with 60 registered holders, and 23,727,211 ADRs representing 118,636,055 H shares, with 62 registered holders. Since certain of the ADSs are held by nominees, the above number may not be representative of the actual number of U.S. beneficial holders of ADSs or number of ADSs beneficially held by U.S. persons.

CLIC, our controlling shareholder, is a wholly state-owned enterprise controlled by the PRC government. See Item 4. Information on the Company History and Development of the Company. None of our major shareholders has voting rights that differ from the voting rights of other shareholders, except that in certain matters which affect the rights of the holders of H shares or A shares, holders of H shares or A shares, as the case may be, are entitled to vote as a separate class. We are not aware of any arrangement which may at a subsequent date result in a change of control of our company.

## **B. RELATED PARTY TRANSACTIONS**

As at the date of this annual report, CLIC owns approximately 68.37% of our issued share capital, a 40% equity interest in AMC, a 60% equity interest in CLPCIC, a 100% equity interest in China Life Insurance (Overseas) Co., Limited, or China Life Overseas, and a 100% equity interest in China Life Investment Holding Company Limited, or IHC. CLIC, AMC, CLPCIC, China Life Overseas and IHC are therefore considered as our connected persons under

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the HKSE Listing Rules. AMC owns a direct 48% equity interest and an indirect 52% equity interest in China Life Wealth Management Company Limited, or China Life Wealth, and approximately 85.03% equity interest in China Life AMP Asset Management Co., Ltd., or AMP. IHC owns an indirect 100% equity interest in China Life Chengda (Shanghai) Healthcare Equity Investment Management Company Limited, or CLCD. China Life Wealth, AMP and CLCD are therefore also considered as our connected persons under the HKSE Listing Rules. Each of AMC, China Life Wealth and AMP is also a subsidiary of the Company. During the reporting period, we engaged in the following related party transactions with these companies:



On August 30, 2016, we and CLPCIC entered into a supplemental agreement to revise the annual caps for the two years ending December 31, 2017 under the insurance sales framework agreement with CLPCIC;

On November 23, 2016, we entered into a partnership agreement with CLIC, CLPCIC, and CLCD, in relation to the formation of a partnership; and

On December 30, 2016, December 23, 2016, December 16, 2016 and December 22, 2016, we, China Life Pension, CLIC and CLPCIC each entered into a new framework agreement with AMP for the subscription and redemption of fund products, sale of funds, asset management and other daily transactions, respectively. We also continued to carry out certain other continuing related party transactions with CLIC, AMC, CLPCIC, IHC, AMP and China Life Wealth in the reporting period. These transactions constitute connected transactions for us under the HKSE Listing Rules. Details of these transactions are set forth below.

On February 29, 2016, we entered into agreements with Citigroup Inc. and IBM Credit LLC to purchase shares of China Guangfa Bank, or CGB, which was previously known as Guangdong Development Bank. This transaction has been completed and closed on August 29, 2016. As at the date of this annual report, we own a 43.686% equity interest in CGB and have become the largest shareholder of CGB. Our chairman and executive director, Yang Mingsheng, serves as the chairman of CGB, and our non-executive director, Mr. Liu Jiade, serves as the vice chairman and president of CGB. CGB is therefore considered as our related party under applicable PRC laws and regulations. On January 12, 2017, we entered into a new framework agreement with CGB for daily related party transactions. We also continued to carry out continuing related party transactions with CGB in the reporting period. These transactions are not regarded as connected transactions for us under the HKSE Listing Rules. Details of these transactions are set forth below.

As at the date of this annual report, we own a 70.74% equity interest in China Life Pension. China Life Pension is not considered as our related party under the HKSE Listing Rules or applicable PRC laws and regulations. As our subsidiary, China Life Pension also continued to carry out continuing related party transactions with CLIC, AMC and AMP in the reporting period. These transactions are regarded as connected transactions for us under the HKSE Listing Rules. Details of these transactions are set forth below.

### **Continuing Related Party Transactions with CLIC**

During the reporting period, we engaged in continuing related party transactions with CLIC. These transactions are governed by several agreements between CLIC and us, including a restructuring agreement, a policy management agreement, a trademark license agreement and a non-competition agreement. A detailed discussion of these agreements is set forth in Note 32 to our consolidated financial statements included elsewhere in this annual report and under the heading **Item 7. Major Shareholders and Related Party Transactions** **Related Party Transactions** in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2009.

Our policy management agreement with CLIC expired on December 31, 2014. On December 29, 2014, we and CLIC entered into a new policy management agreement for a term of three years ending on December 31, 2017. Subject to compliance with HKSE Listing Rules, this new agreement will be automatically renewed for a successive term of three years unless terminated by either party by giving to the other party not less than 180 days prior written notice upon expiration of the then current term. Pursuant to this policy management agreement, we continued to accept CLIC's entrustment to provide policy administration services relating to non-transferred policies, and CLIC will pay a service fee to us in cash on a semi-annual basis, which, for each semi-annual payment period, equals the sum of (1) the number of non-transferred policies in force as of the last day of the period, multiplied by RMB 8.00; and (2) 2.5% of the actual premiums in respect of the non-transferred policies collected during the period. The service fees paid by CLIC to us under policy management agreement for the year ended on December 31, 2016 was RMB 869 million (US\$ 125 million). The annual cap in respect of the service fees to be paid by CLIC to us under the new policy management agreement for each of the three years ending on December 31, 2017 is RMB 1,037 million.

### **Continuing Related Party Transactions with AMC**

During the reporting period, we engaged in continuing related party transactions with AMC under an asset management agreement between AMC and us. The asset management agreement expired on December 31, 2015. On December 29, 2015, we and AMC entered into a new asset management agreement on substantially the same terms for a three-year term expiring on December 31, 2018. A detailed discussion of the material terms of the asset management agreement between AMC and us is set forth in Note 32 to our consolidated financial statements included elsewhere in this annual report and under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2009. The service fees paid by us to AMC under the asset management agreement for the year ended December 31, 2016 was RMB 1,081 million (US\$ 156 million). The annual cap in respect of the service fees to be paid by us to AMC under the asset management agreement for each of the three years ending on December 31, 2018 is RMB 1,500 million. The annual cap has been determined by reference to historical figures, the size and composition of the assets managed and to be managed by AMC, and the inherent volatility of the capital markets.

During the reporting period, CLIC engaged in continuing related party transactions with AMC under an asset management agreement between AMC and CLIC, which expired on December 31, 2015. A detailed discussion of this agreement is set forth in Note 32 to our consolidated financial statements included elsewhere in this annual report and under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2009. On December 30, 2015, AMC and CLIC entered into a new asset management agreement on substantially the same terms for a three-year term expiring on December 31, 2018, subject to a right of the parties to negotiate a renewal of this new agreement within 90 business days prior to its expiry. Under this new agreement, AMC continued to invest and manage assets entrusted to it by CLIC, which is subject to the investment guidelines and instructions given by CLIC, and CLIC will pay AMC a base service fee in cash at the rate of 0.05% of the investments under management per annum. The service fee for investment in debt investment plans, equity investment plans, project asset-backed plan and customized non-standard products will be determined separately by the parties. The service fees paid by CLIC to AMC under the asset management agreement for the year ended on December 31, 2016 was RMB 124 million (US\$ 18 million). The annual cap in respect of the service fees to be paid by CLIC to AMC under the new asset management agreement for the three years ending on December 31, 2018 is RMB 320 million, RMB 310 million and RMB 300 million, respectively.

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**Continuing Related Party Transactions with IHC*****Property Leasing Agreement with IHC***

During the reporting period, we engaged in continuing related party transactions with IHC under a property leasing agreement between IHC and us. The property leasing agreement expired on December 31, 2014. A detailed discussion of the terms of this agreement is set forth in Note 32 to our consolidated financial statements included elsewhere in this annual report and under the heading **Item 7. Major Shareholders and Related Party Transactions Related Party Transactions** in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2009. On December 31, 2014, we entered into a new property leasing agreement with IHC under substantially the same terms for a three-year term expiring on December 31, 2017. Under the new property leasing agreement, IHC agreed to lease to us 1,807 properties owned by it. The annual rent is determined by reference to market rent or, where there is no available comparison, by reference to the costs incurred by IHC in holding and maintaining the properties, plus a margin of approximately 5%. The rent paid by us to IHC under the property leasing agreement for the year ended December 31, 2016 was RMB 81 million (US\$ 12 million).

***Asset Management Agreement with IHC***

On February 3, 2016, we entered into an asset management agreement with IHC for a term starting from January 1, 2016 and ending on June 30, 2017. Pursuant to the asset management agreement, IHC continued to invest, operate and manage the assets entrusted to it by us for investment in real property, equity interests of unlisted companies, related financial products and securitization financial products on a discretionary basis, subject to the investment guidelines and instructions given by us.

In consideration of the services provided by IHC under the asset management agreement, we agreed to pay IHC fees based on fixed return projects and non-fixed return projects, respectively. With respect to the fixed return projects, we agreed to pay IHC a basic service fee which is determined based on the investment rate of return of the projects. With respect to the non-fixed return projects, we agreed to pay IHC a basic service fee and also pay a performance fee at the time of exit from the projects with reference to the comprehensive rate of return of the projects. The basic service fee is paid on a quarterly basis, calculated separately for the projects invested prior to the execution of the agreement and those newly invested during the term of the agreement. With respect to the projects invested prior to the execution of the agreement, the basic service fee is calculated by multiplying the total amount of assets invested by the applicable management fee rate (which is set forth in the relevant entrusted investment and management agreements for alternative investments with insurance funds then in force when such projects were entrusted). With respect to the projects newly invested during the term of the agreement, the basic service fee is calculated by multiplying the total annual amount of assets newly invested by the applicable management fee rate stipulated in the agreement (the management fee rate ranges from 0.05% to 0.6% for the fixed return projects; and the management fee rate is 0.3% for the non-fixed return projects). The performance fee is calculated and confirmed by both parties annually, and then paid by us to IHC upon confirmation. The basic service fee and performance fee payable by us to IHC may not exceed RMB 1 billion during the term of this agreement, and the contractual amount of assets entrusted by us to IHC for investment and management may not exceed RMB 250 billion as at the expiry of this agreement. The basic service fee and performance fee paid by us to IHC under this asset management agreement for the year ended December 31, 2016 was RMB 298 million (US\$ 43 million).

Each of CLIC and CLPCIC has also entrusted IHC to invest and manage its assets, which may result in CLIC, CLPCIC and us investing in the same project. Pursuant to the asset management agreement, the targeted assets for co-investments to be made by IHC and on behalf of us, CLIC and CLPCIC are limited to newly launched related financial products and securitization financial products, excluding any products acquired from the secondary market. The contractual amount of the co-investment by us to be entrusted during the term of this agreement will not exceed RMB 40 billion.



### **Continuing Related Party Transaction with China Life Pension**

On July 27, 2009, we, CLIC and AMC entered into an agreement for the entrustment of enterprise annuity funds and account management with China Life Pension. The agreement expired on December 1, 2012. On February 26, 2013, we, CLIC and AMC entered into a memorandum of understanding, which became effective retroactively on December 2, 2012, with China Life Pension to renew the agreement for a successive one-year term ended on December 1, 2013. On March 22, 2014, we, CLIC and AMC entered into a new agreement for the entrustment of enterprise annuity funds and account management with China Life Pension, which became effective retroactively to December 2, 2013.

Under the new agreement, China Life Pension was entrusted to serve as the trustee and account manager and to provide entrusted management services and account management services for the enterprise annuity funds of the Company, CLIC and AMC. China Life Pension was further entrusted to serve as the investment manager and to provide investment management service for the enterprise annuity funds of the Company, CLIC and AMC. In consideration of the services provided by China Life Pension, we, CLIC and AMC agreed to pay China Life Pension entrusted management fees, account management fees and investment management fees. This agreement has expired on December 31, 2016.

### **Continuing Related Party Transactions with CLPCIC**

On March 8, 2012, we entered into an insurance sales framework agreement with CLPCIC for a three-year term which ended on March 7, 2015. On March 8, 2015, we entered into a new insurance sales framework agreement with CLPCIC for a term of two years ending on March 7, 2017. This new agreement has been automatically renewed for one more year after its expiration. Under the new insurance sales framework agreement, CLPCIC continued to entrust us to act as its agent to sell certain specified insurance products within authorized regions, and agreed to pay us service fees in cash on a monthly basis in consideration of the services provided. The service fees will be determined by reference to the cost incurred by us plus a marginal profit amount and market practice. The annual caps in respect of the service fees to be paid by CLPCIC to us for the three years ending December 31, 2017 under the insurance sales framework agreement are RMB 1,386 million, RMB 1,738 million and RMB 2,222 million, respectively. As we considered that the original annual caps under the agreement for the two years ending December 31, 2017 cannot meet the demands for its business development, on August 30, 2016, we and CLPCIC entered into a supplemental agreement to revise the annual caps for the two years ending December 31, 2017 to RMB 3,000 million and RMB 5,000 million, respectively. The service fees paid to us under the insurance sales framework agreement for the year ended December 31, 2016 was RMB 2,337 million (US\$ 337 million).

### **Framework Agreements with China Life Wealth**

#### ***Framework Agreement between China Life Wealth and Us***

On December 30, 2015, we entered into a framework agreement with China Life Wealth in relation to asset management services, sales agency services for asset management products and other daily transactions with China Life Wealth. The agreement became effective upon signing by the parties and will expire on December 31, 2017. Under the agreement, we will enter into certain daily transactions with China Life Wealth, including asset management services, sales agency services for asset management products and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2017, the annual caps on the management fee payable by the Company for asset management services is RMB 55 million, RMB 180 million and RMB 240 million, respectively; the annual caps on fees payable by China Life Wealth in connection with sales agency services (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) are RMB 25 million, RMB 50 million and RMB 100 million, respectively, and the annual caps on fees for other

daily transactions are RMB 25 million, RMB 50 million and RMB 100 million, respectively.

For the year ended December 31, 2016, the fee payable by the Company for the asset management services was RMB 0.03 million (US\$ 0.0043 million), the fees in connection with the sales agency services payable by China Life Wealth (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) were RMB 0 million, and the fees for other daily transactions were RMB 0.14 million (US\$ 0.0202 million).

***Framework Agreement between China Life Wealth and CLIC***

On January 26, 2016, CLIC and China Life Wealth entered into a framework agreement for the subscription of asset management products. The agreement became effective upon signing by the parties and will expire on December 31, 2017. Under the agreement, CLIC will, based on its need for asset allocations, subscribe for the asset management products, in respect of which China Life Wealth acts as manager. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending on December 31, 2017, the annual caps on the management fee payable by CLIC for asset management services are RMB 40 million, RMB 70 million and RMB 80 million, respectively.

For the year ended December 31, 2016, the management fee payable by CLIC for the asset management services was RMB 0.48 million (US\$ 0.0691 million).

***Framework Agreement between China Life Wealth and CLPCIC***

On March 9, 2016, CLPCIC entered into a framework agreement with China Life Wealth in relation to asset management services, sales agency services for asset management products and other daily transactions with China Life Wealth. The agreement became effective upon signing by the parties and will expire on December 31, 2017. Under the agreement, CLPCIC will enter into certain daily transactions with China Life Wealth, including asset management services, sales agency services for asset management products and related services and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2017, the annual caps on the management fee payable by CLPCIC for asset management services is RMB 5 million, RMB 180 million and RMB 300 million, respectively; the annual caps on fees payable by China Life Wealth in connection with sales agency services (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) are RMB 2 million, RMB 150 million and RMB 200 million, respectively, and the annual caps on fees for other daily transactions are RMB 5 million, RMB 50 million and RMB 50 million, respectively.

For the year ended December 31, 2016, the fee payable by CLPCIC for the asset management services was RMB 0 million, the fees in connection with the sales agency services payable by China Life Wealth (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) were RMB 0 million, and the fees for other daily transactions were RMB 0.01 million (US\$ 0.0014 million).

***Framework Agreement between China Life Wealth and China Life Overseas***

On December 30, 2015, China Life Overseas entered into a framework agreement with China Life Wealth in relation to asset management services, sales agency services for asset management products and other daily transactions with China Life Wealth. The agreement became effective upon signing by the parties and will expire on December 31, 2017. Under the agreement, China Life Overseas will enter into certain daily transactions with China Life Wealth, including asset management services, sales agency services for asset management products and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2017, the annual caps on the management fee payable by China Life Overseas for the asset management services is RMB 10 million, RMB 30 million and RMB 50 million, respectively; the annual caps on fees payable by China Life Wealth in connection with sales agency services (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) are RMB 5 million, RMB 5 million and RMB 10 million, respectively, and the annual caps on the fees for other daily transactions are RMB 5 million, RMB 5 million and RMB 10 million, respectively.

For the year ended December 31, 2016, there were no payments made under the agreement.

***Framework Agreement between China Life Wealth and IHC***

On February 3, 2016, IHC entered into a framework agreement with China Life Wealth in relation to asset management services, sales agency services for asset management products and other daily transactions with China Life Wealth. The agreement became effective upon signing by the parties and will expire on December 31, 2017. Under the agreement, IHC will enter into certain daily transactions with China Life Wealth, including asset management services, sales agency services for asset management products and related services and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2017, the annual caps on the management fee payable by IHC for the asset management services is RMB 20 million, RMB 30 million and RMB 50 million, respectively; the annual caps on fees payable by China Life Wealth in connection with sales agency services (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) are RMB 10 million, RMB 40 million and RMB 80 million, respectively, and the annual caps on fees for other daily transactions are RMB 10 million, RMB 40 million and RMB 80 million, respectively.

For the year ended December 31, 2016, the fee payable by IHC for the asset management services was RMB 0.04 million (US\$ 0.0058 million), the fees in connection with the sales agency services payable by China Life Wealth (including the sales commission fee, client maintenance fee, handling fee and intermediary fee) were RMB 0 million, and the fees for other daily transactions were RMB 0 million.

**Framework Agreements with AMP**

***Framework Agreement between AMP and Us***

During the reporting period, we engaged in continuing related party transactions with AMP under a framework agreement between us and AMP for the subscription and redemption of fund products, sale of funds, asset management and other daily transactions. This agreement expired on December 31, 2016. A detailed discussion of the terms of this agreement is set forth under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 22, 2016. For the year ended December 31, 2016, the subscription price and corresponding subscription fee for the subscription of fund products was RMB 9,188.01 million (US\$ 1,323 million), the redemption price and corresponding redemption fee for the redemption of fund products was RMB 4,338.51 million (US\$ 625



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million), the sales commission fee and client maintenance fee paid by AMP was RMB 0 million, the management fee paid by us for the asset management for specific clients was RMB 10.90 million (US\$ 1.57 million), and the fees for other daily transactions was RMB 4.15 million (US\$ 0.60 million).

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On December 30, 2016, we and AMP entered into a new framework agreement, for a term starting from January 1, 2017 and ending on December 31, 2019. Under the new agreement, we will enter into certain daily transactions with AMP, including subscription and redemption of fund products, sales agency services, asset management for specific clients and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2019, the annual caps on the subscription price and corresponding subscription fee for the subscription of fund products are RMB 72,600 million, RMB 72,600 million and RMB 72,600 million, respectively; the annual caps on the redemption price and corresponding redemption fee for the redemption of fund products are RMB 72,600 million, RMB 72,600 million and RMB 72,600 million, respectively; the annual caps on the sales commission fee and client maintenance fee payable by AMP are RMB 700 million, RMB 800 million and RMB 900 million, respectively; the annual caps on the management fee and performance-based fee payable by us for the asset management for specific clients are RMB 300 million, RMB 400 million and RMB 500 million, respectively; and the annual caps on the fees for other daily transactions are RMB 100 million, RMB 100 million and RMB 100 million, respectively.

#### ***Framework Agreement between AMP and China Life Pension***

During the reporting period, China Life Pension engaged in continuing related party transactions with AMP under a framework agreement between China Life Pension and AMP for the subscription and redemption of fund products, sale of funds and other daily transactions. This agreement expired on December 31, 2016. A detailed discussion of the terms of this agreement is set forth under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 22, 2016. For the year ended December 31, 2016, there were no payments made under the agreement.

On December 23, 2016, China Life Pension and AMP entered into a new framework agreement, for a term starting from January 1, 2017 and ending on December 31, 2019. Under the new agreement, China Life Pension will enter into certain daily transactions with AMP, including subscription and redemption of fund products, sales agency services, asset management for specific clients and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2019, the annual caps on the subscription price and corresponding subscription fee for the subscription of fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; the annual caps on the redemption price and corresponding redemption fee for the redemption of fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; the annual caps on the sales commission fee and client maintenance fee payable by AMP are RMB 100 million, RMB 100 million and RMB 100 million, respectively; the annual caps on the management fee and performance-based fee payable by China Life Pension for the asset management for specific clients are RMB 100 million, RMB 100 million and RMB 100 million, respectively; and the annual caps on the fees for other daily transactions are RMB 100 million, RMB 100 million and RMB 100 million, respectively.

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***Framework Agreement between AMP and CLIC***

During the reporting period, CLIC engaged in continuing related party transactions with AMP under a framework agreement between CLIC and AMP for the subscription and redemption of fund products. This agreement expired on December 31, 2016. A detailed discussion of the terms of this agreement is set forth under the heading *Item 7. Major Shareholders and Related Party Transactions* *Related Party Transactions* in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 22, 2016. For the year ended December 31, 2016, the subscription price and corresponding subscription fee for the subscription of fund products was RMB 1,530.59 million (US\$ 220 million), and the redemption price and corresponding redemption fee for the redemption of fund products was RMB 2,585.28 million (US\$ 372 million).

On December 16, 2016, CLIC and AMP entered into a new framework agreement, for a term starting from January 1, 2017 and ending on December 31, 2019. Under the new agreement, CLIC will enter into certain daily transactions with AMP, including subscription and redemption of fund products and asset management for specific clients. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2019, the annual caps on the subscription price and corresponding subscription fee for the subscription of fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; the annual caps on the redemption price and corresponding redemption fee for the redemption of fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; and the annual caps on the management fee and performance-based fee payable by CLIC for the asset management for specific clients are RMB 100 million, RMB 100 million and RMB 100 million, respectively.

***Framework Agreement between AMP and CLPCIC***

During the reporting period, CLPCIC engaged in continuing related party transactions with AMP under a framework agreement between CLPCIC and AMP for the subscription and redemption of fund products, sales agency services and other daily transactions. This agreement expired on December 31, 2016. A detailed discussion of the terms of this agreement is set forth under the heading *Item 7. Major Shareholders and Related Party Transactions* *Related Party Transactions* in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 22, 2016. For the year ended December 31, 2016, the subscription price for the fund products was RMB 100 million (US\$ 14.40 million), and there were no payments made under the agreement with respect to the redemption price, the subscription fee and the redemption fee for the fund products, the sales commission fee and client maintenance fee paid by AMP and the fees for other daily transactions.

On December 22, 2016, CLPCIC and AMP entered into a new framework agreement, for a term starting from January 1, 2017 and ending on December 31, 2019. Under the new agreement, CLPCIC will enter into certain daily transactions with AMP, including subscription and redemption of fund products, sales agency services, asset management for specific clients and other daily transactions permitted by laws and regulations. Pricing of the transactions under the agreement will be determined by the parties through arm's length negotiations with reference to industry practices. For the three years ending December 31, 2019, the annual caps on the subscription price for the fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; the annual caps on the redemption price for the fund products are RMB 10,000 million, RMB 10,000 million and RMB 10,000 million, respectively; the annual caps for the subscription fee for the fund products are RMB 100 million, RMB 100 million and RMB 100 million, respectively; the annual caps for the redemption fee for the fund products are RMB 100 million, RMB 100 million and RMB 100 million, respectively; the annual caps on the sales commission fee and client maintenance fee payable by AMP are RMB 100 million, RMB 100 million and RMB 100 million, respectively; the annual caps on the management fee and performance-based fee payable by CLPCIC for the asset management for specific clients are RMB 100 million, RMB 100 million and RMB 100 million, respectively; and the annual caps on the fees for other daily transactions are RMB 100 million, RMB 100 million and RMB 100 million,

respectively.

### **Formation of Chengda Partnership**

On November 23, 2016, we entered into a partnership agreement with CLIC, CLPCIC, and CLCD, pursuant to which CLCD, as general partner, and CLIC, CLPCIC and us, as limited partners, agreed to form China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership), or the Chengda Partnership. The business scope of the Chengda Partnership includes equity investment, investment management and asset management. The purpose of the Chengda Partnership is to achieve capital appreciation through investment in enterprises or projects in healthcare and related industries.

Under the partnership agreement, the total capital to be contributed by all partners of the Chengda Partnership to it will be RMB 12.01 billion, of which RMB 9 billion will be contributed by us. CLCD will be responsible for the executive functions and investment operations of the Chengda Partnership. During the liquidation process, matured debts shall first be repaid by the assets of the Chengda Partnership. In the event that the assets of the Chengda Partnership are insufficient to repay all of the debts of the Chengda Partnership, all partners will share the debts in proportion to their respective capital contributions, provided, however, that CLCD will bear unlimited joint and several liability for the debts of the Chengda Partnership. The limited partners of the Chengda Partnership, including us, will be potentially liable for the debts of the Chengda Partnership up to the amount of their respective capital contributions to the Chengda Partnership.

The Chengda Partnership has a term of eight years from the date on which its business license is obtained.

### **Continuing Related Party Transactions with CGB**

During the reporting period, we engaged in continuing related party transactions with CGB pursuant to several negotiated deposit agreements between CGB and us. A detailed discussion of these agreements is set forth under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual reports on Form 20-F filed with the Securities and Exchange Commission on April 26, 2011, April 26, 2012 and April 26, 2013, respectively.

On August 12, 2016, we entered into an insurance products cooperation agreement with CGB, pursuant to which CGB will sell our individual insurance products suitable for sale through banks, as jointly selected by CGB and us. Under this agreement, CGB will act as an intermediary to sell such products and will also act on our behalf to receive premiums. In return, we will pay CGB a commission fee for each such product sold by it, calculated and paid on a monthly basis, by multiplying (a) total new premiums received in such month minus the premiums for the policies cancelled during the cooling-off period in such month and (b) a fixed commission rate, which ranges from 1.5% to 30%. This agreement has a term of two years. Upon expiration of the two-year term, this agreement will be automatically renewed for successive one-year terms, provided that no objection has been raised by CGB or us.

On June 14, 2013, we entered into a related party transaction framework agreement with CGB. Under this agreement, which has a term of three years ending on December 31, 2015, we and CGB will carry out various deposit and non-deposit related party transactions. On July 25, 2014, we entered into a revised agreement with CGB, which further increased the daily cap of deposits in respect of all the deposit transactions, increased the annual cap in respect of all the non-deposit related party transactions and expanded the scope of non-deposit transactions. This agreement expired on December 31, 2016. A detailed discussion of this related party transaction framework agreement is set forth under the heading "Item 7. Major Shareholders and Related Party Transactions - Related Party Transactions" in our annual report on Form 20-F filed with the Securities and Exchange Commission on April 25, 2014 and April 22, 2016, respectively. On January 12, 2017, we entered into a new framework agreement with CGB for daily related party transactions, for a term starting from January 1, 2017 and ending on December 31, 2019. Compared to the original agreement, the new framework agreement adjusted the scope of transactions and the classification of transaction types, and also increased the cap of the transaction amounts. A detailed discussion of this new agreement is set forth in our report on Form 6-K filed with the Securities and Exchange Commission on November 10, 2016.

As at December 31, 2016, the total amount of our deposits at CGB was RMB 26,342 million (US\$ 3,794 million). The amount of major non-deposit related party transactions between CGB and us for the year ended December 31, 2016 was RMB 727 million (US\$ 105 million).

### **Compliance with HKSE Listing Rules**

The policy management agreement between CLIC and us, the asset management agreement between AMC and us, the insurance sales framework agreement between CLPCIC and us and the framework agreements between China Life Wealth and each of us, CLIC, CLPCIC, China Life Overseas and IHC are only subject to reporting, announcement and annual review requirements under the HKSE Listing Rules and are exempt from independent shareholders approval requirements. In compliance with applicable HKSE Listing Rules requirements, we made announcements disclosing these transactions on December 19, 2014, December 22, 2015 and August 25, 2016, respectively.

The formation of the Chengda Partnership by the Company, CLIC, CLPCIC and CLCD is only subject to reporting and announcement requirements under the HKSE Listing Rules and is exempt from independent shareholders approval. In compliance with applicable HKSE Listing Rules requirements, we made an announcement disclosing this transaction on October 27, 2016.



The new asset management agreement entered into between IHC and us on February 3, 2016 is subject to reporting, announcement and annual review requirements only and is exempt from independent shareholders' approval under the HKSE Listing Rules. However, the transaction is subject to approval by the shareholders' general meeting of our company under the SSE Listing Rules. We made an announcement disclosing this transaction on October 28, 2015 and obtained the approval of the shareholders' general meeting of our company on December 29, 2015.

The framework agreements entered into by AMP with us, China Life Pension, CLIC and CLPCIC, respectively, are subject to reporting, announcement, annual review and independent shareholders' approval requirements under the HKSE Listing Rules. In compliance with applicable HKSE Listing Rules requirements, we made an announcement disclosing these transactions on October 27, 2016 and obtained the approval of the shareholders' general meeting of our company on December 27, 2016.

The remaining related party transactions discussed above, other than the transactions with CGB, are exempt from reporting, announcement and independent shareholders' approval requirements under the HKSE Listing Rules. The related party transactions with CGB are not regarded as connected transactions for us under the HKSE Listing Rules.

**Confirmation of Independent Non-executive Directors:**

Our independent non-executive directors have reviewed the policy management agreement between CLIC and us, the asset management agreement between AMC and us, the insurance sales framework agreement between CLPCIC and us, the framework agreements between China Life Wealth and each of us, CLIC, CLPCIC, China Life Overseas and IHC, the asset management agreement between us and IHC, and the framework agreements between AMP and each of us, China Life Pension, CLIC and CLPCIC, which were subject to reporting, announcement, annual review and/or independent shareholders' approval requirements under the HKSE Listing Rules and confirmed that:

- 1) the transactions were entered into in the ordinary and usual course of our business;
- 2) the transactions were conducted on normal commercial terms;
- 3) the transactions were entered into in accordance with the agreements governing those transactions and on the terms that are fair and reasonable and in the interest of the shareholders; and
- 4) the amounts of the transactions had not exceeded the relevant annual caps as announced by us.

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.



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## ITEM 8. FINANCIAL INFORMATION.

### A. CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Our audited consolidated financial statements are set forth beginning on page F-1.

#### **Legal and Regulatory Proceedings**

We are involved in litigation and arbitration proceedings involving our insurance operations on an ongoing basis. In addition, the CIRC, as well as other PRC governmental agencies, including tax, commerce and industrial administration and audit bureaus, from time to time make inquiries and conduct examinations, audits or investigations concerning our compliance with PRC laws and regulations. These litigation, arbitration and administrative proceedings have in the past resulted in damage awards, settlements or administrative sanctions, including fines, which have not been material to us. While we cannot predict the outcome of any pending or future litigation, arbitration, examination or investigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any future litigation, arbitration or regulatory proceeding will not have an adverse outcome, which could have a material adverse effect on our operating results or cash flows.

We currently have control procedures in place to monitor our litigation, arbitration and regulatory exposure. We have established a systematic prevention system whereby our management at each corporate level is responsible for compliance with laws, regulations and internal codes of conduct within their individual territories or departments. Our branches at the provincial level are required to report material litigation, arbitration and regulatory matters to our corporate headquarters on a timely basis. We plan to continue to improve our control and compliance policies in the future.

We may penalize or punish our employees or exclusive agents who commit misconduct or fraud, breach the terms of their employment or agency agreements, exceed their authorization limits or fail to follow prescribed procedures in delivering insurance policies and premium payments, in each case having regard to the severity of the offense. Employees or exclusive agents are required to reimburse us for any losses suffered by us resulting from their misconduct or fraud. In serious cases, we may terminate their employment or agency agreements. We report criminal offenses to the PRC authorities and may also bring concurrent civil actions against employees or exclusive agents. We have experienced agent and employee misconduct that has resulted in litigation, arbitration and administrative actions against us and these agents and employees, and in some cases criminal proceedings and convictions against the agent or employee in question. None of these actions has resulted in material losses, damages, fines or other sanctions against us. We cannot assure you, however, that agent or employee misconduct will not lead to a material adverse effect on our business, results of operations or financial condition.

#### **Policy on Dividend Distributions**

Our board of directors has passed a resolution on March 23, 2017 to propose for approval at the annual general meeting of the declaration of final dividends of RMB 0.24 per share, totaling approximately RMB 6,784 million (US\$ 977 million), for the year ended December 31, 2016. The proposed dividends have not been provided in our consolidated financial statements for the year ended December 31, 2016.

The payment of any dividend by us must be approved by shareholders in a shareholders meeting. Our board of directors intends to make its recommendations regarding the declaration of cash dividends to the shareholders in general meeting. The decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on:



our results of operations and cash flows;

our financial position;

statutory solvency requirements as determined under PRC GAAP with reference to CIRC rules;

our shareholders' interests;

general business conditions;

our future prospects;

statutory and regulatory restrictions on the payment of dividends by us; and

other factors that our board of directors deems relevant.

We will pay dividends out of our after-tax profits only after we have made the following allowances and allocations:

recovery of accumulated losses, if any;

allocations to the statutory common reserve fund equivalent to 10% of our after-tax income, as determined under PRC GAAP; and

allocations to a discretionary common reserve fund as approved by the shareholders in a shareholders meeting.

When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, as determined under PRC GAAP, no further allocations to this fund will be required.

Under Chinese law, dividends may be paid only out of distributable profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, ordinarily we will not pay any dividends in a year in which we do not have any distributable profits.

Payment of dividends by us is also regulated by the PRC insurance law. If we do not meet the minimum solvency margin required by the CIRC, we may be prohibited from paying dividends. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements .

We paid dividends of RMB 0.14 per share in respect of 2006, RMB 0.42 per share in respect of 2007, RMB 0.23 per share in respect of 2008, RMB 0.70 per share in respect of 2009, RMB 0.40 per share in respect of 2010, RMB 0.23 per share in respect of 2011, RMB 0.14 per share in respect of 2012, RMB 0.30 per share in respect of 2013, RMB 0.40 per share in respect of 2014 and RMB 0.42 per share in respect of 2015. Our board of directors has recommended the

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declaration of final dividends of RMB 0.24 per share in respect of 2016. We expect to continue to pay dividends in line with our financial performance thereafter. We will declare dividends, if any, in Renminbi with respect to the H shares on a per share basis and will pay such dividends in Hong Kong dollars.

## **B. SIGNIFICANT CHANGES**

On February 29, 2016, we entered into agreements with Citigroup Inc. and IBM Credit LLC to purchase 23.686% of the shares of CGB, for RMB 23,312 million. This transaction has been completed and closed on August 29, 2016. As at the date of this annual report, we own a 43.686% equity interest in CGB and have become the largest shareholder of CGB. Because we do not control CGB, CGB is not treated as a subsidiary in our consolidated financial statements.

In March 2016, the PRC State Council approved the expansion of the scope of Value Added Tax, or VAT, to several key sectors including real estate, construction, financial services and lifestyle services, effective May 1, 2016. Our primary business will be subject to 6% VAT instead of the 5% business tax, or BT, which previously had applied to our business. The implementation of VAT has had an effect on our business and operations, including, among other things, our product development and pricing, finance management, management of receipts and IT systems. However, our management believes that the implementation of VAT has not had any known material impact on our overall operating results and financial conditions.

## **C. EMBEDDED VALUE**

### **Background**

China Life prepares financial statements to public investors in accordance with the relevant accounting standards. An alternative measure of the value and profitability of a life insurance company can be provided by the embedded value method. Embedded value is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a particular set of assumptions about future experience, excluding the economic value of future new business. In addition, the value of one year's sales represents an actuarially determined estimate of the economic value arising from new life insurance business issued in one year based on a particular set of assumptions about future experience.

China Life believes that reporting our embedded value and value of one year's sales provides useful information to investors in two respects. First, the value of our in-force business represents the total amount of shareholders' interest in distributable earnings, in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of one year's sales provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business. However, the information on embedded value and value of one year's sales should not be viewed as a substitute of financial measures under the relevant accounting basis. Investors should not make investment decisions based solely on embedded value information and the value of one year's sales.

It is important to note that actuarial standards with respect to the calculation of embedded value are still evolving. There is still no universal standard which defines the form, calculation methodology or presentation format of the embedded value of an insurance company. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when comparing the results of different companies.

Also, the calculation of embedded value and value of one year's sales involves substantial technical complexity and estimates can vary materially as key assumptions are changed. Therefore, special care is advised when interpreting embedded value results.

The values shown below do not consider the future financial impact of transactions between China Life and CLIC, IHC, AMC, China Life Pension, CLPCIC, and etc.

### **Definitions of Embedded Value and Value of One year's sales**

The embedded value of a life insurer is defined as the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital.

Adjusted net worth is equal to the sum of:

Net assets, defined as assets less corresponding policy liabilities and other liabilities valued; 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 to certain liabilities.

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 and the value of one year's sales are defined here as the discounted value of the projected stream of future shareholders' interest in distributable earnings for existing in-force business at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date.

The value of in-force business and the value of one year's sales have been determined using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the risk of operating experience's fluctuation and the economic cost of capital through the use of a risk-adjusted discount rate.

### **Preparation and Review**

The embedded value and the value of one year's sales were prepared by China Life in accordance with the CAA Standards of Actuarial Practice: Appraisal of Embedded Value issued by the China Association of Actuaries (CAA) in November 2016. Willis Towers Watson, an international firm of consultants, performed a review of China Life's embedded value. The review statement from Willis Towers Watson is contained in the Willis Towers Watson's review opinion report on embedded value section.

### **Assumptions**

#### ***Economic assumptions:***

The calculations are based upon assumed corporate tax rate of 25% for all years. The investment returns are assumed to be grading from 4.6% to 5% by 0.2% every year (remaining level thereafter). 13% grading to 17% (remaining level thereafter) of the investment return is assumed to be exempt from income tax. These investment return and tax exempt assumptions are based on our strategic asset mix and expected future returns. The risk-adjusted discount rate used is 10%.



Other operating assumptions such as mortality, morbidity, lapses and expenses are based on our recent operating experience and expected future outlook.

### Summary of Results

The embedded value as at 31 December 2016 and the value of one year's sales for the 12 months to 31 December 2016, the corresponding results as at 31 December 2015 are shown below:

**Table 1**

Components of Embedded Value and Value of One Year's Sales		RMB million	
		31 December, 2016	31 December, 2015
<b>ITEM</b>			
A	Adjusted Net Worth	349,528	268,729
B	Value of In-Force Business before Cost of Required Capital	332,317	335,500
C	Cost of Required Capital	(29,787)	(43,951)
D	Value of In-Force Business after Cost of Required Capital (B+C)	302,530	291,549
E	Embedded Value (A + D)	652,057	560,277
F	Value of One Year's Sales before Cost of Required Capital	53,952	35,684
G	Cost of Required Capital	(4,641)	(4,155)
H	Value of One Year's Sales after Cost of Required Capital (F + G)	<b>49,311</b>	<b>31,528</b>

*Note: Numbers may not be additive due to rounding.*

### Value of One Year's Sales by Channel

The value of one year's sales by channel is shown below:

**Table 2**

Channel	RMB million	
	31 December, 2016	31 December, 2015
Exclusive Individual Agent Channel	46,326	28,851
Group Insurance Channel	375	371
Bancassurance Channel	2,610	2,306
<b>Total</b>	<b>49,311</b>	<b>31,528</b>

*Note: Numbers may not be additive due to rounding.*





## Movement analysis

The following analysis tracks the movement of the embedded value from the start to the end of 2016:

**Table 3**

<b>Analysis of Embedded Value Movement in 2016</b>		<b>RMB million</b>
<b>ITEM</b>		
A	Embedded Value at Start of Year	560,277
B	Expected Return on Embedded Value	52,168
C	Value of New Business in the Period	49,311
D	Operating Experience Variance	(1,792)
E	Investment Experience Variance	(31,029)
F	Methodology, Model and Assumption Changes	48,116
G	Market Value and Other Adjustments	(13,973)
H	Exchange Gains or Losses	651
I	Shareholder Dividend Distribution and Capital Injection	(12,257)
J	Other	585
<b>K</b>	<b>Embedded Value as at 31 December 2016 (sum A through J)</b>	<b>652,057</b>

Notes:

- 1) Numbers may not be additive due to rounding.
- 2) Items B through J are explained below:

- B Reflects expected impact of covered business, and the expected return on investments supporting the 2016 opening net worth.
- C Value of one year's sales in 2016.
- D Reflects the difference between actual operating experience in 2016 (including mortality, morbidity, lapse, and expenses etc.) and the assumptions.
- E Compares actual with expected investment returns during 2016.
- F Reflects the effect of change of appraisal methodology, model and assumption enhancements. The change of appraisal methodology increased embedded value by RMB 64,335 million. The enhancements of assumptions decreased embedded value by RMB 16,218 million.
- G Change in the market value adjustment from the beginning of year 2016 to 31 December 2016 and other related adjustments.
- H Reflects the gains or losses due to changes in exchange rate.
- I Reflects dividends distributed to shareholders.
- J Other miscellaneous items.

## Sensitivity Results

Sensitivity testing was performed using a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to was changed, with all other assumptions remaining unchanged. The results are summarized below:



Table 4

Sensitivity Results		RMB million	
		Value of In-Force Business after Cost of Required Capital	Value of One Year's Sales after Cost of Required Capital
	Base case scenario	302,530	49,311
1.	Risk discount rate +50bps	289,475	47,069
2.	Risk discount rate -50bps	316,555	51,712
3.	Investment return +50bps	353,748	57,745
4.	Investment return -50bps	251,560	40,898
5.	10% increase in expenses	298,764	46,623
6.	10% decrease in expenses	306,295	51,998
7.	10% increase in mortality rate for non-annuity products		
	and 10% decrease in mortality rate for annuity products	300,225	48,696
8.	10% decrease in mortality rate for non-annuity products		
	and 10% increase in mortality rate for annuity products	304,829	49,926
9.	10% increase in lapse rates	301,530	48,340
10.	10% decrease in lapse rates	303,441	50,251
11.	10% increase in morbidity rates	298,350	48,385
12.	10% decrease in morbidity rates	306,744	50,238

		Value of In-Force Business after Cost of Required Capital	Value of One Year's Sales after Cost of Required Capital
	<b>Adjusted Net Worth</b>		
	Restatement of 2015 results	355,613	31,912

Note: 2015 results are recalculated in accordance with the CAA Standards of Actuarial Practice and using the new assumptions (including economic and operating assumptions).

### Willis Towers Watson's Review Opinion Report on Embedded Value

#### To The Directors of China Life Insurance Company Limited

China Life Insurance Company Limited (China Life) has prepared embedded value results for the financial year ended 31 December 2016 (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.

China Life has engaged Willis Towers Watson Management Consulting (Shenzhen) Co. Ltd. Beijing Branch ( Willis Towers Watson ) to review its EV Results. This report is addressed solely to China Life 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 China Life 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 develop the embedded value and value of one year's sales as at 31 December 2016, in accordance with 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 develop the embedded value and value of one year's sales as at 31 December 2016;

a review of the results of China Life's calculation of the EV Results.

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

***Opinion***

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

the embedded value methodology used by China Life is in accordance with the CAA Standards of Actuarial Practice: Appraisal of Embedded Value issued by the CAA;

the economic assumptions used by China Life 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 China Life have been set with appropriate regard to past, current and expected future experience; and

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

For and on behalf of Willis Towers Watson

Michael Freeman          Wesley Cui

23rd March 2017

**ITEM 9. THE OFFER AND LISTING.**

In connection with our initial public offering, our American depositary shares, or ADSs, each representing 40 H shares, were listed and commenced trading on New York Stock Exchange on December 17, 2003 under the symbol LFC . Our H shares were listed and commenced trading on the Hong Kong Stock Exchange on December 18, 2003 under the stock code 2628 . Prior to these listings, there was no public market for our equity securities. The New York Stock Exchange and the Hong Kong Stock Exchange are the principal trading markets for our ADSs and H shares, which are not listed on any other exchanges in or outside the United States.

On December 29, 2006, the ratio of ADSs to H shares was reduced from 40 H shares to 15 H shares. On May 26, 2015, the ratio of ADSs to H shares was further reduced from 15 H shares to 5 H shares. Our A shares were listed and commenced trading on the Shanghai Stock Exchange on January 9, 2007 under the stock code 601628 .

The high and low closing sale prices of the H shares on the HKSE, the ADSs on the NYSE and the A shares on the SSE for the periods indicated are as follows<sup>(1)</sup>:

	Price per H Share (HK\$)		Price per ADS (2) (US\$)		Price per A share (RMB)	
	High	Low	High	Low	High	Low
	<b>Annual</b>					
2012	25.3000	17.0600	49.69	33.47	21.4000	15.8700
2013	27.2000	17.5000	52.62	34.27	21.9200	12.9100
2014	30.5000	19.7800	58.84	38.59	34.1500	13.0700
2015	40.0000	24.3000	78.53	15.14	41.1900	21.3500
2016	23.8000	16.2800	15.22	10.23	26.9200	19.6600
<b>Quarterly</b>						
First Quarter, 2015	34.0500	29.6000	67.24	56.60	40.6300	31.9800
Second Quarter, 2015	40.0000	32.6500	78.53	20.86	41.1900	28.7600
Third Quarter, 2015	33.7500	24.3000	21.30	15.14	36.0800	21.3500
Fourth Quarter, 2015	30.8000	24.4000	20.23	15.42	30.4200	25.5300
First Quarter, 2016	23.8000	16.3200	15.22	10.33	26.9200	19.6600
Second Quarter, 2016	19.7400	16.2800	12.89	10.23	24.0400	20.2600
Third Quarter, 2016	21.5000	16.3200	13.83	10.51	22.4000	20.5700
Fourth Quarter, 2016	22.7000	19.0600	14.63	12.22	26.2200	21.3100
First Quarter, 2017	25.2000	20.6000	16.23	13.29	26.8600	24.4300
<b>Monthly</b>						
October 2016	21.5000	19.2600	14.00	12.28	21.8500	21.3100
November 2016	22.7000	19.0600	14.63	12.22	26.2200	21.6700
December 2016	22.5000	19.9000	14.62	12.79	25.7500	23.5900
January 2017	21.7000	20.6000	14.05	13.29	26.2000	25.0200
February 2017	24.6000	21.2000	15.83	13.64	26.8600	25.1500
March 2017	25.2000	23.4000	16.23	14.96	25.7200	24.4300
April 2017 (through April 7, 2017)	23.9500	23.5500	15.44	15.19	25.3000	25.0500

(1) Source: Yahoo! Finance (<http://finance.yahoo.com>).

(2) Each ADS represented 15 H shares prior to May 26, 2015 and represents 5 H shares since May 26, 2015.

#### ITEM 10. ADDITIONAL INFORMATION.

##### A. SHARE CAPITAL

Not applicable.

##### B. ARTICLES OF ASSOCIATION

The following is a brief summary of certain provisions of our current articles of association, the PRC company law and certain other laws and regulations applicable to us. Such summary is not purported to be complete. For further information, you should refer to the full text of our articles of association and to the texts of applicable laws and regulations.

**Objects and Purposes**

We are organized under the PRC company law as a joint stock company. We are registered with the SAIC in Beijing, China and our business license carries the registration number 100000000037965.

Our business scope, set forth in Article 10 of our articles of association, is to engage in life, accident and health insurance businesses; reinsurance business relating to the foregoing; fund investment businesses authorized by laws, regulations or the State Council; agency business, consulting business and provision of services, in each case relating to life insurance; fund sales business; and other business as approved by the insurance regulatory authority of the PRC.



## **Sources of Shareholders Rights**

The primary sources of shareholders rights are the PRC company law, our articles of association, Special Rules applicable to overseas listed joint stock companies promulgated by the State Council, or Special Rules, relevant CSRC regulations, the Shanghai Stock Exchange Listing Rules, and the Hong Kong Stock Exchange Listing Rules that, among other things, impose certain standards of conduct, fairness and disclosure on us, our directors and CLIC, our controlling shareholder. The PRC company law was enacted in December 1993 and serves as the primary body of law regulating corporate actions of companies organized in the PRC and its directors and shareholders.

Our articles of association have incorporated the provisions set forth in the Mandatory Provisions for the Articles of Association of Companies Listed Overseas, or the Mandatory Provisions, adopted in 1994 pursuant to the requirements of the CSRC and the provisions set forth in the Guidelines on the Articles of Association of Listed Companies, or the Guidelines, as amended in 2014 by the CSRC. Any amendment to the relevant mandatory provisions will only become effective after approval by the relevant governmental departments authorized by the State Council and the CSRC. The Hong Kong Stock Exchange Listing Rules require a number of provisions in addition to the Mandatory Provisions to be included in our articles of association.

According to the HKSE Listing Rules, we may not amend certain provisions of our articles of association that have been mandated by the Hong Kong Stock Exchange. These provisions include, among others:

varying the rights of existing classes of shares;

voting rights;

our power to purchase our own shares;

rights of minority shareholders; and

liquidation procedures.

In addition, upon the listing of the H shares and for so long as the H shares are listed on the Hong Kong Stock Exchange, we are subject to the relevant ordinances, rules and regulations applicable to companies listed on the Hong Kong Stock Exchange, including, among other things, the Hong Kong Stock Exchange Listing Rules, the Securities and Futures Ordinance and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.

Unless otherwise specified, all rights, obligations and protections discussed below are derived from our articles of association and the PRC company law.

## **Enforceability of Shareholders Rights**

Enforceability of our shareholders rights may be limited.

In accordance with the rules applicable to Chinese overseas listed companies, our articles of association provide that, with certain limited exceptions, all disputes or claims based on our articles of association, the PRC company law or other relevant laws or administrative rules, and concerning matters between holders of H shares and holders of A

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shares, us, or our directors, supervisors, president, vice presidents or other senior officers, must be submitted for arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center. If an applicant chooses to have the dispute arbitrated at the Hong Kong International Arbitration Center, either party may request that venue be changed to Shenzhen, a city in mainland China near Hong Kong. The governing law for the above-mentioned disputes or claims is Chinese law unless otherwise provided by Chinese law. Any such arbitration will be final and conclusive.

In June 1999, an arrangement was made between the People's Courts of the PRC and the courts of Hong Kong for mutual enforcement of arbitration awards rendered in the PRC and Hong Kong according to their respective laws. This arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000.

There has not been any published report of judicial enforcement in the PRC by H shareholders of their rights under charter documents of PRC joint stock companies or the PRC company law or in the application or interpretation of the PRC or Hong Kong regulatory provisions applicable to PRC joint stock companies.

The PRC company law allows shareholders to sue, on behalf of the corporation, against persons, including corporate officers, directors, who have allegedly wronged the corporation, where the corporation itself has failed to enforce such claim against such persons directly. Class action lawsuits based on violations of securities laws are generally not available.

We are subject to the Hong Kong Exchange Listing Rules, the Hong Kong Securities and Futures Ordinance, or Securities and Futures Ordinance, and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases. However, holders of H shares will not be able to bring actions on the basis of violations of the Hong Kong Stock Exchange Listing Rules and must instead rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and are only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong as established by the Securities and Futures Commission of Hong Kong and the securities and futures industry in Hong Kong. The Securities and Futures Ordinance establishes various obligations in relation to disclosure of shareholders' interests in Hong Kong listed companies, the violation of which is subject to prosecution by the Securities and Futures Commission of Hong Kong.

See Item 3. Key Information Risk Factors Risks Relating to the People's Republic of China The laws in China differ from the laws in the United States and may afford less protection to our minority shareholders and Item 3. Key Information Risk Factors Risks Relating to the People's Republic of China You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on U.S. or other foreign laws against us, our management and some of the experts named in the annual report .

## **Dividends**

Our board of directors may propose dividend distributions. A distribution of dividends for any fiscal year is subject to shareholders' approval. Dividends may be distributed in the form of cash or shares or a combination of both. The H shares rank equally with A shares with regard to dividend rights. A distribution of shares must be approved by special resolution of the shareholders' meeting.

We may only distribute dividends after allowance has been made for:

recovery of accumulated losses, if any;

allocations to the statutory common reserve fund equivalent to 10% of our after-tax income; and

allocations to a discretionary common reserve fund as approved by the shareholders in a shareholders meeting.



Under Chinese law, dividends may be paid only out of distributable profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, we will ordinarily not pay any dividends in a year when we do not have any distributable profits.

Payment of dividends by us is also regulated by the PRC insurance law. If we do not meet the solvency margin required by the CIRC, we will be prohibited from paying dividends. See [Item 4. Information on the Company Business Overview Regulation and Related Matters Insurance Company Regulation Solvency requirements](#) .

Our articles of association require us to appoint, on behalf of the holders of H shares, a receiving agent that is registered as a trust corporation under the Trustee Ordinance of Hong Kong to receive dividends declared by us in respect of the H shares on behalf of such shareholders. Our articles of association require that cash dividends in respect of H shares be declared in Renminbi and paid by us in Hong Kong dollars. The depository will convert these proceeds into U.S. dollars and will remit the converted proceeds to holders of our ADSs.

Subject to the requirements under applicable PRC laws and rules of the securities regulatory authorities of the PRC, Hong Kong and United States, we may exercise the power to forfeit unclaimed dividends, provided that such power cannot be exercised until after the expiration of applicable limitation period.

We anticipate that our controlling shareholder, CLIC, may incur future operating losses arising in part from the runoff of policies retained by it in connection with the restructuring. Dividends received from us may become one of CLIC's principal means of funding these losses. Although we believe that the reserves held by CLIC and other financial resources available to it will fund substantially all of any future operating shortfalls arising out of these policies, which should reduce CLIC's reliance on dividends from us, subject to the relevant provisions of the PRC company law and our articles of association as described above and in [Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Policy on Dividend Distributions](#) , CLIC may seek to increase the amount of dividends we pay in order to satisfy its cash flow requirements. See [Item 3. Key Information Risk Factors Risks Relating to the Restructuring](#) .

Dividend payments may be subject to Chinese withholding tax. See [Taxation The People's Republic of China Taxation of Dividends](#) .

### **Voting Rights and Shareholders Meetings**

Our board of directors will convene a shareholders' annual general meeting once every year within six months from the end of the preceding fiscal year. Our board of directors must convene an interim meeting within two months of the occurrence of any of the following events:

where the number of directors is less than the number stipulated in the PRC company law or two-thirds of the number specified in our articles of association;

where our unrecovered losses reach one-third of the total amount of our share capital;

where shareholders, individually or jointly, holding 10% or more of our issued and outstanding voting shares so request in writing;



whenever our board of directors deems necessary, or more than half of directors (including at least two independent directors) or our board of supervisors so requests; or

any other event as maybe provided by applicable laws, rules, regulations or our articles of association.

All shareholders meetings must be convened by our board of directors by written notice given to shareholders no less than 45 days before the meeting. Shareholders holding at least one-half of our total voting shares will constitute a quorum for a shareholders meeting. If a quorum is not reached, we are required to notify our shareholders within five days by public announcement of the agenda, the date and the venue of the adjourned meeting. After the notice, we may conduct the shareholders meeting. The accidental omission by us to give notice of a meeting to, or the non-receipt of notice of a meeting by, a shareholder will not invalidate the proceedings at that shareholders meeting.

Shareholders at meetings have the power, among other matters, to approve or reject our profit distribution plans, annual budget, financial statements, increases or decreases in share capital, issuances of debentures, mergers, liquidation, any equity-based incentive plan and any amendment to our articles of association. In addition, the rights of a class of shareholders may not be modified or abrogated, unless approved by a special resolution of shareholders at a general shareholders meeting and by a special resolution of shareholders of that class of shares at a separate meeting. Our articles of association enumerate various amendments which would be deemed to be a modification or abrogation of the rights of a class of shareholders, including, among others, increasing or decreasing the number of shares of a class disproportionate to increases or decreases of other classes of shares, removing or reducing rights to receive dividends in a particular currency or creating shares with voting or equity rights superior to those of shares of that class. There are no restrictions under PRC law or our articles of association on the ability of investors that are not Chinese residents to hold H shares and exercise voting rights, except that holders of H shares are unable to vote online and the prior approval of the CIRC is required in respect of any acquisition which results in the acquirer holding more than 5% of the outstanding share capital of our company and the other restrictions set out under Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Restriction of ownership in joint stock insurance companies .

Each of our ordinary shares, whether it be an A share or an H share, is entitled to one vote on all matters submitted for vote at all shareholders meetings, except for meetings of a special class of shareholders where only holders of shares of the affected class are entitled to vote on the basis of one vote per share of the affected class.

Shareholders are entitled to attend and vote at meetings either in person or by proxy. Proxies must be in writing and deposited at our legal address or such other place as is specified in the meeting notice, no less than 24 hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the relevant resolution.

Resolutions on any of the following matters must be approved by more than two-thirds of the voting rights held by shareholders who are present in person or by proxy:

an increase or decrease in our share capital or the issuance of shares, warrants, debentures and other similar securities;

our division, merger, dissolution or liquidation (shareholders who object to a proposed merger are entitled to demand that either we or the shareholders who approved the merger purchase their shares at a fair price);





amendments to our articles of association;

purchase or sale within any single year of any material assets exceeding 30% of our latest audited total assets;

any equity-based incentive plan; and

any other matters as provided under applicable laws or regulations or determined by a majority of shareholders at a general meeting to have a material impact on us and should be approved by two-thirds of the voting rights.

An amendment of shareholders' rights of any class of shares must be approved by more than two-thirds of the voting rights held by holders of shares in the affected class who are present in person or by proxy.

All other actions taken by the shareholders will be approved by a majority of the voting rights held by shareholders who are present in person or by proxy at the shareholders' meeting.

Any shareholder resolution that is in violation of any laws or regulations of China or the articles of association will be null and void.

### **Liquidation Rights**

We are organized as a joint stock company with limited liability of indefinite duration, but must pass the annual inspection with the SAIC. In the event of our liquidation, the H shares will rank equally with the A shares, and payment of debts out of our remaining assets is required to be made in the order of priority prescribed by applicable laws and regulations or, if no such standards exist, in accordance with such procedures as the liquidation committee that has been appointed either by us or the People's Courts of China may consider to be fair and reasonable. After payment of debts, we are required to distribute the remaining property to shareholders in proportion to the number of shares they hold.

### **Information Rights**

Our shareholders may, subject to reasonable fees and costs, obtain a copy of our articles of association and inspect and copy all parts of our register of shareholders, personal particulars of the directors, supervisors, president and other senior officers, reports on the state of our share capital, reports showing the aggregate par value, highest and lowest price paid in respect of each class of shares repurchased by us since the end of the last accounting year and the aggregate amount paid by us for this purpose, minutes of shareholders' general meetings, and counterfoils of company debt securities, resolutions of board meetings, resolutions of board of supervisors.

Our fiscal year is the calendar year ending December 31. We must send to holders of H shares, no more than four months after the end of the relevant financial year, our annual report (including our annual accounts, together with a copy of the auditors' report thereon). Further, we must publish a preliminary results announcement no later than three months after the end of the relevant fiscal year. The results announcement in respect of the relevant financial year is required to be published on the HKSE's website no later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of our board of directors. These and any interim financial statements must be prepared in accordance with HKFRS, IFRS or PRC GAAP in the case of a PRC issuer that has adopted PRC GAAP for the preparation of its annual financial statements. The annual financial statements must be approved by a majority of our shareholders who

are present in person or by proxy at the annual general meeting.

The HKSE Listing Rules also require us to send to holders of H shares an interim report no later than three months after the end of the first six months of each fiscal year. Further, we must publish a preliminary results announcement no later than two months after the end of the six-month period. The results announcement in respect of the relevant six-month period is required to be published on the HKSE's website no later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of our board of directors.

According to the HKSE Listing Rules, where in the view of the HKSE there is or there is likely to be a false market in our securities, we must, as soon as reasonably practicable after consultation with the HKSE, announce the information necessary to avoid a false market in our securities. In addition, according to the provisions of inside information under the Securities and Futures Ordinance of Hong Kong, we must, as soon as reasonably practicable after any inside information has come to our knowledge, disclose the information to the public. Inside information, in relation to a listed corporation, means specific information that

is about the corporation, a shareholder or officer of the corporation, or the listed securities of the corporation or their derivatives; and

is not generally known to the persons who are accustomed or would be likely to deal in the listed securities of the corporation but would if generally known to them be likely to materially affect the price of the listed securities. Depending on the size of the transaction, we may also be required to disclose to our shareholders details of various acquisitions or disposals of assets and other transactions (including transactions with controlling shareholders).

#### **Restrictions on Transferability and the Share Register**

Unless otherwise permitted by relevant PRC rules or regulations or approved by relevant PRC authorities, H shares may be traded only among investors who are legal or natural persons resident outside of China, and may not be sold to investors resident within the PRC. There are no restrictions under PRC law or our articles of association on the ability of investors who are not PRC residents to hold H shares. However, under relevant PRC law, a legal person resident outside of China is only allowed to hold not more than 20% of our issued share capital and legal persons resident outside of China are only allowed to hold in aggregate not more than 25% of our issued share capital, unless otherwise approved by competent authorities.

We are required to keep a register of our shareholders comprised of various parts, including one part which is to be maintained in Hong Kong in relation to holders of H shares. Shareholders have the right to inspect and, for a reasonable charge, to copy the share register. No transfers of ordinary shares will be recorded in our share register within thirty days prior to the date of a shareholders' general meeting or within five days prior to the record date established for the purpose of distributing a dividend.

We have appointed Computershare Hong Kong Investor Services Limited to act as the registrar of our H shares. This registrar maintains our register of holders of H shares and enters transfers of H shares in such register upon the presentation of the documents described above.

### **Increases in Share Capital**

Under our articles of association, issuance of new securities, including ordinary shares, securities convertible into ordinary shares, options, warrants or similar rights to subscribe for any ordinary shares or convertible securities, must be approved by at least two-thirds of the shareholders who attend the shareholders meeting in person or by proxy. In addition, the issuance of A shares or H shares must be approved by two-thirds of the class of domestic shares or H shares, as the case may be, unless the number of shares to be issued shall not exceed 20% of the number of shares of the same class then outstanding in any 12-month period.

A special resolution was passed at the shareholders' annual general meeting held on May 30, 2016 to authorize our board of directors to issue additional shares, and amend the articles of association accordingly, in a nominal amount of no more than 20% of the aggregate nominal amount of our H shares in issue as at the date of such resolution, by the conclusion of next shareholders' annual general meeting, or the expiration of the 12-month period following the passing of this resolution, or the date on which the resolution is otherwise revised or revoked by a special resolution of our shareholders, whichever is the earliest.

Shareholders are not liable to make any further contribution to the share capital other than according to the terms that were agreed upon by the subscriber of the relevant shares at the time of subscription. New issues of shares must also be approved by relevant Chinese authorities.

### **Decreases in Share Capital and Repurchases**

We may reduce our registered share capital only upon obtaining the approval of at least two-thirds of the shareholders who attend the shareholders meeting in person or by proxy and, in certain circumstances, of relevant Chinese authorities. The number of H shares that may be repurchased is subject to the Hong Kong Codes on Takeovers and Mergers and Share Repurchases.

### **Restrictions on Ownership**

No individual legal entity or other organization (including any associated party thereof) that invests in an insurance company, other than an insurance holding company or an insurance company approved by the CIRC, may hold in excess of 20% of the shares in the insurance company. See Item 4. Information on the Company Business Overview Regulation and Related Matters Insurance Company Regulation Restriction of ownership in joint stock insurance companies .

### **Restrictions on Large or Controlling Shareholders**

Our articles of association define a controlling shareholder as any person who acting alone or in concert with others:

is in a position to elect more than one-half of the board of directors;

has the power to exercise, or to control the exercise of, 30% or more of our voting rights;

holds 30% or more of our issued and outstanding shares; or

has de facto control of us in any other way.

As of the date of this annual report, CLIC, a wholly state-owned enterprise, is our only controlling shareholder.

Our articles of association provide that, in addition to any obligation imposed by laws and administrative regulations or required by the Hong Kong Stock Exchange Listing Rules, a controlling shareholder shall not exercise its voting rights in a manner prejudicial to the interests of other shareholders:

to relieve a director or supervisor from his or her duty to act honestly in our best interests;

to approve the appropriation by a director or supervisor, for his or her own benefit or for the benefit of any other person, of our assets in any way, including without limitation opportunities which may be advantageous to us; or

to approve the appropriation by a director or supervisor, for his or her own benefit or for the benefit of another person, of the individual rights of other shareholders, including without limitation rights to distributions and voting rights (except in accordance with a restructuring of our company which has been approved by the shareholders at a general meeting in accordance with our articles of association).

Our articles of association also provide that a controlling shareholder or an actual controlling person shall not exploit its affiliated relation in a manner prejudicial to the interest of our company, and shall be liable for any losses suffered by us as a result thereof. The controlling shareholder or actual controlling person shall have fiduciary duties to both our company and our public shareholders. The controlling shareholder shall exercise its rights as a capital contributor of our company in strict compliance with the law. The controlling shareholder shall not cause any damage to the lawful rights and interest of our company and our public shareholders through, among others, any connected transactions, profit distribution, asset restructuring, external investment, fund appropriation and loan guarantee, or impair the interest of our company and our public shareholders through its controlling position.

### **Board of Directors**

Our non-employee directors are elected by our shareholders at shareholders' general meetings, and employee directors are elected by our employees or other democratic means at the employee representative conference. Directors are elected for a term of three years and may serve consecutive terms if re-elected.

Article 23 of Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies provides that directors, supervisors, and senior officers of a company owe duties of honesty, care and diligence to their company.

Our articles of association provide that, in exercising their duties and powers, our directors, supervisors and senior officers will act with the care, diligence and skills that are expected of a reasonable person under similar circumstances, observe fiduciary principles and not place themselves in a situation where their interests conflict with the duties they are charged with performing. In addition to these fiduciary duties to our company, each director, supervisor and officer is obligated to each shareholder:

to act honestly in our company's best interests;

not to exploit corporate assets for personal gains; and

not to expropriate the rights of our shareholders.

If directors, supervisors or officers are found to have misappropriated our company's assets or misused their position for personal gain, the PRC company law provides that any misappropriated or misused property be returned and any illegal proceeds received by such director, supervisor or officer be confiscated, and allows us to impose punishment on them. In serious cases, criminal liability may also be imposed. According to our articles of association, our shareholders may bring a derivative suit against any director, supervisor or officer who has breached his fiduciary duties. Most disputes between H shareholders and directors, supervisors and officers are required to be resolved by final and binding arbitration.

Moreover, our articles of association provide that our directors, supervisors and senior officers must not enter into transactions or contracts with us or agree to make corporate loans to any persons or provide guarantees for loans of any shareholder or any other person with corporate assets. In particular, our directors, supervisors and senior officers have obligations to disclose to the board of directors any direct or indirect material interest they may have in any contracts or transactions with us. They may not vote on any contracts, transactions or arrangements in which they have any material interest. Further, we may not make loans or provide guarantees to directors, supervisors or senior officers, unless such loans or guarantees are approved at a shareholders' meeting or made in the ordinary course of business and to the extent permitted by applicable laws. All decisions relating to the compensation of directors are made at shareholders' meetings.

There are no provisions under our articles of association or PRC law which relate to:

the retirement or non-retirement of directors under any age limit requirement;

directors' borrowing power; or

number of shares required for directors' qualification.

Subject to all relevant laws and administrative regulations, the shareholders may remove any director before the expiration of his or her term of office by a majority vote of the shareholders present in person or by proxy at shareholders' general meetings. A director, supervisor, president, vice president or other senior officer may be relieved of liability for a specific breach of his or her duties by the consent of shareholders so long as specified conditions are met.

### **Board of Supervisors**

Our board of supervisors consists of five supervisors. At least one-third of our board of supervisors must be employee representatives elected by our employees. The remaining members must be elected by our shareholders in a general meeting. One member of our board of supervisors is designated as the chairman. Members of the board of supervisors may not serve as director, president, vice president or other senior management of our company. The term of office for our supervisors is three years, which is renewable upon re-election.

The primary duty of the board of supervisors is to monitor our financial matters and management. The board of supervisors' powers are generally limited to carrying out investigations and reporting to shareholders, the China Securities Regulatory Commission and other relevant governmental authorities having jurisdiction over our affairs and to convening shareholders' interim meetings. Reasonable expenses incurred by the board of supervisors in carrying out its duties will be paid by us.





Our supervisors owe fiduciary duties to our company and our shareholders. Please see the discussion of the duties and the nature of recourse our shareholders may have against supervisors in breach of these duties in the subsection entitled *Board of Directors* .

The board of supervisors is accountable, and will report, to the shareholders at the shareholders' general meetings.

### **Certain Differences Between PRC Company Law and Delaware Corporate Law**

The PRC company law and other laws applicable to us differ in a number of respects from laws generally applicable to United States corporations and their shareholders. The description set forth below includes a summary of certain provisions of the PRC company law, Special Rules, Mandatory Provisions and the Guidelines applicable to companies listed both in the PRC and overseas, such as us, which differ from provisions of the corporate law of the State of Delaware.

#### ***General***

We are a PRC joint stock company, which is a corporate entity organized under the PRC company law. Under the PRC company law, the registered capital of a joint stock company is divided into shares of equal par value. These shares are commonly called domestic ordinary shares. Each share of a joint stock company ranks equally with all other shares in its class as to voting rights (except for specified class voting rights) and rights to dividends and other distributions. Upon receiving approval from the relevant authorities, a joint stock company may offer its shares for sale to the public and seek to be listed on a stock exchange. The State Council may formulate separate regulations for the issuance of other classes of shares, including H shares. All of our issued shares are fully paid and nonassessable. Holders of H shares may transfer their shares without the approval of other shareholders. Among other things, a joint stock company must have (1) a board of directors of not fewer than five and not more than 19 members, and (2) a board of supervisors of not fewer than three members.

The shareholders' meeting of a joint stock company is the highest authority of the company and exercises the powers of the company with respect to significant matters, subject to applicable law and the articles of association of the company. The business of a joint stock company is under the overall management of a board of directors, subject to the PRC company law, other applicable laws and regulations (which in our case include the PRC insurance law and regulations), the company's articles of association and duly adopted resolutions of its shareholders. The day-to-day operations of a joint stock company are under the direction of its general manager or president, subject to applicable laws and regulations, the company's articles of association and duly adopted resolutions of the directors and shareholders. In addition, the PRC company law provides for the establishment of a board of supervisors for each joint stock company. The supervisors perform and exercise the functions and powers described below, including examination of the joint stock company's affairs and monitoring the actions of the directors and officers of the company. The directors, supervisors and officers are not required to hold any qualifying shares in the joint stock company.

A joint stock company may be liquidated involuntarily due to insolvency or voluntarily in accordance with the terms of its articles of association or duly adopted shareholders' resolutions. The property of a joint stock company remaining after full payment of its liquidation expenses, wages, labor insurance premiums of its employees and statutory compensations, outstanding taxes and debts, is distributed in proportion to the holdings of its shareholders.

### ***Meetings of shareholders***

Under PRC law, shareholders are given the power to approve specified matters. See **Voting Rights and Shareholders Meetings** . In addition, the Mandatory Provisions provide that at shareholders' meetings shareholders are entitled to consider any proposals made by shareholders holding in the aggregate at least 3% of voting power over the company's shares.

Under Delaware law, the business and affairs of a Delaware corporation are, in general, managed by or under the direction of its board of directors. Only certain fundamental matters regarding the corporation are reserved by statute to be exercised by the shareholders. These matters include, in general, election or removal of directors, retention or dismissal of the corporation's independent auditors, mergers or other business combinations involving the corporation, amendment of the corporation's certificate of incorporation and liquidation or dissolution of the corporation.

### ***Shareholders' approval by written consent***

PRC law does not provide shareholders of overseas listed joint stock companies with rights to approve corporate matters by written consent. Under Delaware law, unless otherwise provided in the certificate of incorporation, any action which is required or permitted to be taken at any shareholders' meeting may be taken without a meeting, subject to various conditions.

### ***Amendments of articles of association***

Under PRC law, an amendment of the articles of association must be approved by an affirmative vote of two-thirds of shareholders attending a shareholders' meeting. Under the Mandatory Provisions, proposed amendment to the articles is required to be approved by the board of directors, as well as the shareholders. Amendments with respect to the Mandatory Provisions only become effective after approval by the relevant governmental department authorized by the State Council and the China Securities Regulatory Commission.

Under Delaware law, with certain exceptions, shareholder approvals must be obtained for any amendment to the certificate of incorporation. Board approvals are also required for any amendment to the certificate of incorporation, but no governmental approval is generally required.

### ***Powers and responsibilities of directors***

Under PRC law, the board of directors is responsible for specified actions, including the following functions and powers of a joint stock company:

convening shareholders' meetings and reporting its work to shareholders at these meetings;

implementing shareholders' resolutions;

determining the company's business plans and investment proposals;

formulating the company's annual financial budgets and final accounts;

formulating the company's profit distribution plans and loss recovery plans;

formulating proposals for the increase or decrease in the company's registered capital and the issue of debentures;

formulating major acquisition and disposal plans and plans for the merger, division or dissolution of the company;

to the extent authorized by the shareholders' meeting, deciding on such matters as external investments, purchase or sale of assets, assets pledge and connected transactions of the company;

deciding on the company's internal management structure and formulating its basic management system; and

appointing or removing the company's principal executive officers; appointing and removing other senior officers based on the recommendation of the principal executive officer and deciding on the remuneration of the senior officers.

In addition, the Mandatory Provisions provide that the board has the authority to formulate any proposal to amend the articles of association and to exercise any other power conferred by a decision of the shareholders' meeting.

Under Delaware law, the business and affairs of a Delaware corporation are managed by or under the direction of its board of directors. Their powers include fixing the remuneration of directors, except as otherwise provided by statute or in the certificate of incorporation or by-laws of the corporation.

#### ***Powers and responsibilities of supervisors***

Under PRC law, a PRC joint stock company must have a board of supervisors consisting of shareholder representatives and one or more employee representatives. Supervisors attend board meetings as non-voting observers. Directors, officers and company personnel in charge of financial matters may not serve as supervisors. The supervisors perform and exercise the following functions and powers:

examining the company's financial affairs;

monitoring compliance with laws, regulations, the articles of association of the company and the shareholders' resolutions by the directors and officers of the company; and suggesting removing the directors and officers who violate these laws and regulations;

requiring corrective action from directors and officers whose actions are contrary to the interests of the company;

examining the financial information, including financial statements, operation reports and plans for profit distribution, to be submitted by the board of directors to the shareholders' meetings; and authorizing, in the company's name, public certified accountants or licensed auditors to assist in the re-examination of such information, should any doubt arise in respect thereof;

proposing the holding of extraordinary shareholders meetings;

proposing new items to be inserted in the agenda of the shareholders meeting;

bringing lawsuits against directors or members of senior management, if they violate laws, regulations or articles of association of the company; and

exercising and performing other powers and functions provided for in the company's articles of association. In addition, the Mandatory Provisions provide that supervisors of overseas listed joint stock companies are entitled to retain auditors in the name of the company to examine any financial or business reports or profit distribution proposals to be submitted by the directors to a meeting of the shareholders which the supervisors consider questionable, and negotiate or take legal action against any director or the directors in the name of the company. The fees and expenses of attorneys and other professionals incurred by the supervisors in connection with the discharge of their duties are to be paid by the company.

Delaware law makes no provision for a comparable corporate institution.

#### ***Duties of directors, supervisors and officers***

Under PRC law, directors, supervisors and officers of a joint stock company are required to comply with relevant laws and regulations and the company's articles of association. A director, supervisor or officer who contravenes any law, regulation or the company's articles of association in the performance of his duties shall be personally liable to the company for any loss incurred by the company. Directors, supervisors and officers are required to carry out their duties honestly and diligently, and protect the interests of the company. They are also under a duty of confidentiality to the company and prohibited from divulging confidential information concerning the company, except as permitted by relevant laws and regulations or by a decision of a shareholders' meeting. They may not use their position and authority in the company to seek personal gain. Directors and officers may not directly or indirectly engage in the same business as the company or in any other business detrimental to the interests of the company, and they are required to forfeit any profits from these activities to the company.

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders.

#### ***Limitations on transactions with interested directors, supervisors and officers***

Under PRC law, directors and officers of a joint stock company may not enter into any contracts or transactions with the company unless permitted by the articles of association or approved by the shareholders. A company may not provide any guarantees to shareholders or any de facto control person of the company unless such guarantees are approved by a majority of shareholders present at the shareholders' meeting, excluding the shareholder who will be provided such guarantees. Under the Mandatory Provisions, a director, supervisor or officer is required to disclose to the board any transaction with the company in which he has a direct or indirect interest or in which there is a material conflict of interest between the company and himself. A director is not entitled to vote or be counted for quorum purposes in any board decision on any such transaction. A company may set aside any interested transaction which did not comply with these requirements, unless the other party to such transaction was honestly unaware of the breach of obligations by the interested director, supervisor or officer. A company may not loan or provide any guarantees to directors, supervisors or officers (including persons related to them), except for the loans made in accordance with employment contracts approved by the shareholders, or unless the company's business scope allows for the provision of loans and guarantees and such loans or guarantees are made under regular commercial terms.

Under Delaware law, an interested transaction is not voidable if (1) the material facts as to the interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors, (2) such material facts are disclosed or are known to the shareholders entitled to vote on such transaction and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon or (3) the transaction is fair as to the corporation as of the time it is authorized, approved or ratified. Under Delaware law, the interested director could be held liable for a transaction in which such a director derived an improper personal benefit.

#### ***Election and removal of directors***

Under PRC law, the term of office of directors of a joint stock company must be specified in the articles of association, but may not exceed three years. Directors may be re-elected. No director may be removed from office without cause by shareholders prior to the expiration of the director's term. PRC law does not contemplate a classified board of directors.

Under Delaware law, directors of a Delaware corporation can be removed from office with or without cause by the holders of a majority of shares then entitled to vote at an election of directors, provided that except where the certificate of incorporation of the Delaware corporation otherwise provides, a member of a classified board may be removed by shareholders only for cause, and in a corporation with cumulative voting, if less than all of the directors are removed, no director may be removed if the votes cast against the director's removal is sufficient to elect the director if cumulatively voted at an election of directors. The Court of Chancery may remove a director who has been convicted of a felony or found by a court to have committed a breach of the duty of loyalty in connection with his or her duties to the corporation following application by the corporation or derivatively in the right of the corporation by any shareholder. The court may order the removal only if it determines that the director did not act in good faith in performing the acts resulting in the prior conviction or judgment and that removal is necessary to avoid irreparable harm to the corporation.

#### ***Dividend payments***

Under PRC law, proposals for distribution of profits are formulated by the board of directors and submitted for shareholder approval at a shareholders' meeting. Dividends may be distributed in the form of cash or shares.

Under Delaware law, the board of directors of a Delaware corporation may declare dividends out of distributable earnings and profits without the approval of the shareholders.

#### ***Amalgamations and business combinations; appraisal rights***

Under PRC law, amalgamations and divisions involving joint stock companies are required to be approved by shareholders voting at a shareholders' meeting. The Mandatory Provisions require an amalgamation or division involving the company to be approved by an affirmative vote of two-thirds of the votes present at the shareholders meeting called to consider the transaction. Any opposing shareholder may request the company or the consenting shareholders to purchase its shares at a fair price. In addition, a sale of fixed assets having a value exceeding 33% of the total fixed assets of the company requires the approval of at least one third of shareholders at the meeting where a quorum presents.

Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and holders of a majority of the outstanding shares entitled to vote. A shareholder objecting to the merger is entitled to appraisal rights pursuant to which the shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration the shareholder would otherwise receive in the transaction.





***Transactions with significant shareholders***

Under Delaware law, a business combination between a Delaware corporation and an interested shareholder which takes place at any time during a period of three years commencing with the date the interested shareholder became an interested shareholder would need prior approval from the board of directors or a supermajority of the shareholders of the corporation, unless the corporation opted out of the relevant Delaware business combination statute. Under Delaware law, an interested shareholder of a corporation is someone who, together with its affiliates and associates, owns more than 15% of the outstanding common shares of the corporation. No such business combination statute or regulation applies to PRC joint stock companies.

***Shareholders lawsuits***

The PRC law provides that most disputes involving an H shareholder are to be resolved by final and binding arbitration.

Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law.

***Limitations on liability and indemnification of directors and officers***

PRC law does not provide for any specific limitations on liability or indemnification of directors and officers.

Under Delaware law, a corporation may indemnify a current director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if (1) the director or officer acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (2) with respect to any criminal action or proceeding, the director or officer had no reasonable cause to believe that his conduct was unlawful. Persons serving at the request of the corporation as directors, officers, employees or agents of another entity such as a subsidiary or an employee stock trust may receive advancement of expenses from the corporation. A corporation may not retroactively impair or eliminate indemnification or advancement rights by amending the corporation's certificate of incorporation or bylaws after the occurrence of the act or omission that gives rise to indemnification or advancement rights, unless the provision contains, at the time of the act or omission, an explicit authorization of such elimination or limitation.

***Shareholders' rights of inspection of corporate records***

Under PRC law, shareholders are entitled to inspect the articles of association, register of shareholders, corporate bond counter foils, minutes of shareholders' meetings and board meetings and reports of the financial accounts of the company. In addition, the Mandatory Provisions provide that, after paying reasonable fees, shareholders are entitled to inspect the company's shareholder list, certain personal information on the directors, supervisors and officers, the company's capital position and certain information regarding share repurchases conducted by the company during the most recent fiscal year.

Delaware law permits any shareholder of a Delaware corporation to examine or obtain copies of or extracts from the corporation's shareholder list and its other books and records for any purpose reasonably related to such person's interest as a shareholder.

### **C. MATERIAL CONTRACTS**

See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions for certain arrangements we have entered into with CLIC, AMC, China Life Pension, CLPCIC, IHC, China Life Wealth, CGB and AMP.

### **D. EXCHANGE CONTROLS**

The Renminbi currently is not a freely convertible currency. The SAFE, under the authority of the PBOC, controls the conversion of Renminbi into foreign currency. Until July 20, 2005, the PBOC had been setting and publishing daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The PBOC also took into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0% against the U.S. dollar. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. Although experimental policies were recently introduced in certain pilot areas such as the Shanghai free trade zone to reduce foreign exchange control, restrictions on the convertibility of Renminbi into foreign currency still remain in force in most parts of China.

In the event of shortages of foreign currencies, we may be unable to convert sufficient Renminbi into foreign currency to meet our foreign currency obligations or to pay dividends in foreign currency.

Our H shares are traded on the Hong Kong Stock Exchange. There are no limitations on the right of non-resident or foreign owners to remit dividends or capital including capital gains imposed by Hong Kong law.

### **E. TAXATION**

The taxation of income and capital gains of holders of H shares or ADSs is subject to the laws and practices of China and of jurisdictions in which holders of H shares or ADSs are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares or ADSs. In particular, the discussion does not address the tax consequences under state, local and other laws, such as non-U.S. federal laws other than the laws of the PRC and Hong Kong. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares and ADSs. The discussion is based upon laws and relevant interpretations in effect as of the date of this annual report, all of which are subject to change.



## **The People's Republic of China**

The following is a discussion of the material Chinese tax provisions relating to the ownership and disposition of H shares or ADSs held by the investors as capital assets. This discussion does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to other investors subject to special treatment under the tax laws of the PRC. This discussion is based on the tax laws of China as in effect as of the date of this annual report, as well as on the Agreement between the United States of America and the People's Republic of China for the Avoidance of Double Taxation, or the Treaty, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of Chinese taxation other than income taxation, capital taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisers regarding Chinese and other tax consequences of owning and disposing of H shares.

### ***Taxation of Dividends***

*Individual investors.* According to the PRC Individual Income Tax Law, as amended, dividends paid by Chinese companies are ordinarily subject to a Chinese withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of China, the receipt of dividends from a company in China is normally subject to a withholding tax of 20% unless reduced pursuant to an applicable tax treaty. According to a notice issued by the Chinese State Administration of Taxation, or the SAT, on June 28, 2011, if the withholding tax rate under applicable tax treaties is 10% or less, the receipt of dividends will be subject to 10% withholding tax; and if the withholding tax rate under applicable tax treaties is between 10% and 20%, the receipt of dividends will be subject to the actual tax rate as agreed under such tax treaties.

*Enterprises.* According to the PRC Enterprise Income Tax Law and its implementation rules, effective on January 1, 2008, and the Circular on Issues Relating to the Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises, issued by the SAT on November 6, 2008, resident enterprises in China are required to, in distributing dividends for 2008 or any year hereafter to non-resident enterprises holding Overseas Shares including H-shares and ADSs of the enterprises, withhold enterprise income tax for such dividends at a tax rate of 10%. Non-resident enterprises holding H-shares of any resident enterprise can, after receiving dividends due to them, apply for preferential tax treatment with competent tax authorities in accordance with tax treaties.

*Tax treaties.* Investors who do not reside in China and reside in countries that have entered into treaties for the avoidance of double-taxation with China may be entitled to a reduction of the withholding tax imposed on the payment of dividends to our investors who do not reside in China. China currently has treaties for the avoidance of double-taxation with a number of other countries, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Under the treaty between China and the United States, the China-US Treaty, China may tax a dividend paid by us to an Eligible U.S. Holder up to a maximum of 10% of the gross amount of the dividend. For the purposes of this discussion, an Eligible U.S. Holder is a U.S. holder that (i) is a resident of the United States for the purposes of the China-US Treaty, (ii) does not maintain a permanent establishment or fixed base in China to which H shares are attributable and through which the beneficial owner carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services) and (iii) is not otherwise ineligible for benefits under the China-US Treaty with respect to income and gains derived in connection with the H shares.

### ***Taxation of Capital Gains***

According to the PRC Enterprise Income Tax Law and its implementation rules, effective on January 1, 2008, capital gains realized by foreign enterprises which have no establishment or residence in China or whose capital gains from China do not relate to their establishment or residence in China, are ordinarily subject to enterprise income tax at the rate of 10% with respect to the gains realized within China, unless reduced pursuant to an applicable tax treaty.

According to the Interim Administrative Measures on the Source Withholding of Income Tax of Non-resident Enterprise issued by the SAT on January 9, 2009, where both parties to an equity transfer transaction are non-resident enterprises and where the transfer occurs outside of China, the non-resident enterprise receiving income shall pay taxes to the tax authority in the locality of the resident enterprise whose equity was transferred, either directly or by a representative. The resident enterprise whose equity was transferred shall assist the tax authority with the collection of taxes from the non-resident enterprise.

According to the PRC Individual Income Tax Law, as amended, capital gains realized by individuals upon the transfer of shares, including Overseas Shares, are subject to capital gains tax levied at a flat rate of 20%; and relevant tax authorities are authorized to promulgate implementation rules in this regard. To date, the relevant tax authorities have not promulgated any implementation rules on the taxation of capital gains realized by individuals upon the transfer of shares, including Overseas Shares. If the relevant tax authorities promulgate such implementation rules in the future, a 20% tax may be levied on capital gains realized by foreign individuals in accordance with the PRC Individual Income Tax Law, as amended, unless reduced pursuant to an applicable tax treaty. To date, the relevant tax authorities have not collected capital gains tax on the income from the transfer of shares.

### ***Additional Chinese Tax Considerations***

*Chinese stamp duty.* Chinese stamp duty imposed on the transfer of shares of Chinese publicly traded companies under the Provisional Regulations of China Concerning Stamp Duty should not apply to the acquisition and disposal by non-Chinese investors of H shares or ADSs outside of China by virtue of the Provisional Regulations of China Concerning Stamp Duty, which became effective on October 1, 1988 and which provide that Chinese stamp duty is imposed only on documents executed or received within China that are legally binding in China and are protected under Chinese law.

*Estate tax.* No liability for estate tax under Chinese law will arise from non-Chinese nationals holding H shares.

### **Hong Kong**

The following is a discussion of the material Hong Kong tax provisions relating to the ownership and disposition of H shares or ADSs held by the investors as capital assets. This discussion does not address all of the tax considerations that may be relevant to specific investors in light of their particular circumstances or to investors subject to special treatment under the tax laws of Hong Kong. This discussion is based on the tax laws of Hong Kong as in effect on the date of this annual report, which are subject to change (or changes in interpretation), possibly with retroactive effect. This discussion does not address any aspects of Hong Kong taxation other than income taxation, capital taxation,

stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisers regarding Hong Kong and other tax consequences of owning and disposing of H shares.

### ***Tax Treaties***

There is no relevant tax treaty in effect between Hong Kong and the United States.

### ***Tax on Dividends***

Under current practice, no tax is payable in Hong Kong in respect of dividends paid by us.

### ***Tax on Gains from Sale***

No tax is imposed in Hong Kong in respect of capital gains from the sale of property. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where the gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses.

Trading gains from sales of H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

There will be no liability for Hong Kong profits tax in respect of profits from the sale of ADSs, where purchases and sales of ADSs are effected outside Hong Kong, for example, on the New York Stock Exchange.

### ***Stamp Duty***

Hong Kong stamp duty, currently charged at the *ad valorem* rate of 0.1% on the higher of the consideration for, or the market value of, the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H shares. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

The withdrawal of H shares upon the surrender of ADRs, and the issuance of ADRs upon the deposit of H shares, will also attract stamp duty at the rate described above for sale and purchase transactions unless such withdrawal or deposit does not result in a passing of the beneficial interest in the H shares under Hong Kong law. The issuance of the ADRs upon the deposit of H shares issued directly to the depository of the ADSs, or for the account of the depository, will not be subject to any stamp duty. No Hong Kong stamp duty is payable upon the transfer of ADSs outside Hong Kong.

### ***Estate Duty***

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after February 11, 2006.



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## United States of America

The following is a discussion of the material United States federal income tax consequences relating to the purchase, ownership and disposition of H shares or ADSs by U.S. Holders (as defined below) that acquire H shares or ADSs for cash and hold them as capital assets. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, partnerships, dealers in securities, brokers, U.S. expatriates, persons who have acquired our H shares or ADSs as part of a straddle, hedge, conversion, or other integrated investment, persons who own, directly or by attribution, 10% or more of the combined voting power of all classes of stock of China Life or persons that have a functional currency other than the U.S. dollar). This discussion does not address any U.S. state or local or any U.S. federal estate, gift or alternative minimum tax considerations.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of H shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or of any state or political subdivision thereof or therein, including the District of Columbia or (iii) an estate or trust the income of which is subject to U.S. federal income tax regardless of the source thereof.

Investors are urged to consult their own tax advisers as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of H shares or ADSs in their individual circumstances, including the applicability of U.S. federal, state and local tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

### *Taxation of Dividends*

Subject to the discussion below under "Special Rules", cash distributions with respect to the H shares or ADSs owned by a U.S. Holder will, upon receipt, be includible in the gross income of such U.S. Holder as ordinary dividend income to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any such cash distribution exceeds our current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in such H shares or ADSs and, to the extent the amount of such cash distribution exceeds adjusted tax basis, will be treated as gain from the sale of such H shares or ADSs. Dividends paid by us generally will constitute income from sources outside the United States for foreign tax credit limitation purposes and will not be eligible for the "dividends received" deduction.

Dividends received by individuals from "qualified foreign corporations" are generally subject to a maximum U.S. federal income tax rate of 20%, so long as certain holding period requirements are met. A non-U.S. corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the Secretary of the Treasury determines is satisfactory for purposes of the relevant provision and which includes an exchange of information program or (ii) with respect to any dividend it pays on stock which is readily tradable on an established securities market in the United States. The Treasury Department has determined that the U.S.-China income tax treaty as currently in effect meets the requirements described in clause (i) above. In addition, the ADSs are readily tradable on the New York Stock Exchange, an established securities market in the United States. Each U.S. Holder that is an individual is urged to consult his or her tax adviser regarding the applicability of this reduced rate to dividends received with respect to the H shares or ADSs in his particular circumstance.



The U.S. dollar value of any distribution made by us in Hong Kong dollars (or other currency that is not the U.S. dollar, or a foreign currency), should be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by Deutsche Bank Trust Company Americas, as depositary, in the case of ADSs, or by the U.S. Holder, in the case of H shares held directly by such U.S. Holder regardless of whether the Hong Kong dollars (or such other foreign currency) so received are converted into U.S. dollars on the date of receipt. If the Hong Kong dollars (or such other foreign currency) so received are converted into U.S. dollars on the date of receipt, such U.S. Holder generally should not recognize foreign currency gain or loss on such conversion. If the Hong Kong dollars (or such other foreign currency) are not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the Hong Kong dollars (or such other foreign currency) equal to their U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the Hong Kong dollars (or such other foreign currency) generally will be treated as ordinary income or loss from sources within the United States for foreign tax credit limitation purposes.

Subject to certain limitations, the Chinese tax withheld from dividends paid with respect to H shares or ADSs and paid over to China, as described above under *The People's Republic of China Taxation of Dividends*, may be creditable against a U.S. Holder's U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 20% U.S. federal income tax rate. A U.S. Holder of H shares or ADSs that does not elect to claim a U.S. foreign tax credit may instead claim a deduction for such withheld tax, but only for a taxable year in which the U.S. Holder elects to do so with respect to all non-U.S. income taxes paid or accrued in such taxable year. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and U.S. Holders are urged to consult their own U.S. tax advisers with respect to foreign tax credit considerations in their individual circumstances.

#### ***Sale or other Disposition of H Shares or ADSs***

Subject to the discussion below under *Special Rules*, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of H shares or ADSs that it owns in an amount equal to the difference between the amount realized from the sale or disposition and the U.S. Holder's adjusted tax basis in such H shares or ADSs. The gain or loss generally will be a capital gain or loss and will be long-term capital gain (taxable at a reduced rate for individuals) or loss if, on the date of sale or disposition, such H shares or ADSs were held by the U.S. Holder for more than one year and will generally be U.S. source gain or loss. The claim of a deduction in respect of a capital loss may be subject to limitations.

A U.S. Holder that receives Hong Kong dollars (or other foreign currency) from the sale or disposition generally will realize an amount equal to the U.S. dollar value of the Hong Kong dollars (or such other foreign currency) on the settlement date of the sale or disposition if (i) the U.S. Holder is a cash basis or electing accrual basis taxpayer and our H shares or ADSs, as the case may be, are treated as being traded on an established securities market for this purpose or (ii) the settlement date is the date of the sale or disposition. If the Hong Kong dollars (or such other foreign currency) so received are converted into U.S. dollars on the settlement date, the U.S. Holder should not recognize foreign currency gain or loss on the conversion. If the Hong Kong dollars (or such other foreign currency) so received are not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the Hong Kong dollars (or such other foreign currency) equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the Hong Kong dollars (or such other foreign currency) generally will be treated as ordinary income or loss from sources within the United States for foreign tax credit limitation purposes. A U.S. Holder should consult its own tax adviser regarding the U.S. federal income tax consequences of receiving Hong Kong dollars (or other currency) from a sale or disposition of the H shares or ADSs in cases not described in this paragraph.



A U.S. Holder that is a non-resident enterprise may be subject to Chinese tax on the gain realized upon the sale or other disposition of H shares or ADS. See *The People's Republic of China Taxation of Capital Gains* above. Holders should consult their own tax advisers concerning their ability to credit such Chinese taxes against their U.S. federal income tax liability in their particular situation.

### ***Special Rules***

***Related Person Insurance Income.*** Certain adverse U.S. income and tax reporting rules may apply to U.S. shareholders who, directly or indirectly, own stock of a non-U.S. corporation that earns related person insurance income ( RPII ), if 25% or more of the non-U.S. corporation's direct or indirect shareholders are U.S. persons. RPII is generally defined as insurance income derived from the insurance (or reinsurance) of insureds who are U.S. shareholders in the non-U.S. corporation or who are related to such U.S. shareholders. If applicable, these rules would require U.S. Holders to include in taxable income each year their pro rata share of any RPII incurred by us for the year, regardless of whether such income is distributed, and also to file IRS Form 5471, disclosing certain information regarding their direct or indirect ownership of China Life. Special rules apply for purposes of determining each U.S. shareholder's pro rata share of any RPII. For organizations that are otherwise exempt from U.S. federal income tax under section 501(a) of the Code, any such income would constitute unrelated business taxable income. These rules could also apply to convert some or all of the gain recognized from the sale or disposition of H shares or ADSs from capital gain to ordinary income and to require such gain to be reported on IRS Form 5471.

Under a statutory exception, these rules do not apply if less than 20% of the non-U.S. corporation's insurance income is RPII or if less than 25% of the non-U.S. corporation's stock is owned by U.S. shareholders. Because CLIC holds approximately 68.37% of our share capital, and because we do not offer or intend to offer our products and services in the United States, it is highly unlikely that the RPII rules will apply. If more of our shares are sold to the public in the future, it is possible that such rules could apply at a later date.

***Passive Foreign Investment Company.*** In general, a non-U.S. corporation will be a passive foreign investment company, or a PFIC, if 75% or more of its gross income constitutes passive income or 50% or more of its assets produce passive income or are held for the production of passive income. In determining whether we are a PFIC, we will be treated as if we directly owned our proportionate share of the assets and received our proportionate share of the income of any other corporation in which we own 25% or more of the shares by value.

For the purpose of determining whether a non-U.S. corporation is a PFIC, passive income is defined to include income of the kind which would be foreign personal holding company income under section 954(c) of the Code, and generally includes interest, dividends, annuities and other investment income. Passive income does not include interest income or dividends received from controlled subsidiaries or certain other related persons, to the extent properly allocable to income of such related person that is not passive income. In addition, the PFIC provisions specifically exclude from the definition of passive income any income derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business and which would be subject to tax under subchapter L if it were a domestic corporation. This exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income. Thus, to the extent that income is attributable to financial reserves in excess of the reasonable needs of the insurance business, it may be treated as passive income. The PFIC provisions also exclude from the definition of passive income any income derived in the active conduct of a banking trade or business. We believe that we were not classified as a PFIC in 2016, and currently do not expect to be classified as a PFIC for any future tax year. However, there is little guidance on the circumstances under which a non-U.S. company will be treated as predominantly engaged in an insurance business or engaged in the active conduct of a banking trade or business for purposes of determining PFIC status. Accordingly, there is no assurance that the U.S. Internal Revenue Service will not take a contrary position and assert that we are a PFIC. Furthermore, an actual determination of PFIC status is inherently factual in nature and cannot be made until the close of each applicable tax year and, accordingly, no assurances can be given that we will not become a PFIC at some point in the future. The IRS has issued proposed regulations regarding the application of the PFIC provisions to insurance companies and banks, and final regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on the determination of our status as a PFIC. In general, a U.S. shareholder of a PFIC is subject to a special tax and an interest charge at the time of the sale of (or receipt of an excess distribution with respect to) its shares in the PFIC. In general, a shareholder is treated as having received an excess distribution if the amount of the distribution was more than 125% of the average distribution with respect to its shares during the three preceding taxable years (or shorter period during which the taxpayer held the shares). The special tax is computed by assuming that the excess distribution or, in the case of a sale, the gain with respect to the shares was earned in equal portions throughout the holder's period of ownership. The portion allocable to each year prior to the year of sale is taxed at the maximum marginal tax rate applicable for each such period. The interest charge is determined based on the applicable rate imposed on underpayments of U.S. federal income tax for the period. The special tax and the interest charge generally will not apply to a U.S. shareholder that validly makes a qualified electing fund election under section 1295 of the Code with respect to the shares of the PFIC. We do not intend to comply with the requirements necessary to permit a U.S. Holder to make such an election with respect to H shares or ADSs.

The above results may also be avoided if a mark-to-market election is available and a U.S. Holder validly makes such an election. If the election is made, such U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of, and its adjusted tax basis in, its H shares or ADSs at the end of each taxable year as ordinary income or ordinary loss (to the extent of any net mark-to-market gain previously included in income), and to make corresponding adjustments to the tax basis of such H shares or ADSs. In addition, any gain from a sale or other disposition of H shares or ADSs will be treated as ordinary income, and any loss will be treated as ordinary loss (to the extent of any net mark-to-market gain previously included in income). A mark-to-market election is available to a U.S. Holder only if our H shares or ADSs are considered marketable stock for these purposes. Generally, stock will be considered marketable stock if it is regularly traded on a qualified exchange within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. A non-U.S. securities exchange will constitute a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in the Treasury Regulations. We do not know whether our H shares or ADSs will be treated as marketable stock for these purposes.



If we are a PFIC in any taxable year during which a U.S. Holder owns H Shares or ADSs, such U.S. Holder (i) may also suffer adverse tax consequences under the PFIC rules described above with respect to any other PFIC in which we have a direct or indirect equity interest and (ii) generally will be required to file annually a statement with its U.S. federal income tax returns. U.S. Holders should consult their own tax advisers regarding the U.S. federal income tax consequences of a direct or indirect investment in a PFIC.

### ***Medicare Taxes***

Certain U.S. Holders that are individuals, estates or trusts are subject to an additional tax at the rate of 3.8% on all or a portion of their net investment income, which may include all or a portion of their income arising from a distribution with respect to an ADS or an H Share and gain upon the sale, exchange or other disposition of such ADS or H Share.

### ***Information Reporting and Backup Withholding***

Under certain circumstances, information reporting and/or backup withholding may apply to U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of ADSs or H Shares, unless an applicable exemption is satisfied. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

### ***Reportable Transactions***

U.S. Holders that participate in reportable transactions (as defined in Treasury Regulations) must attach to their federal income tax returns a disclosure statement on Form 8886. We urge U.S. Holders to consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of any Hong Kong dollars (or other foreign currency) received as a dividend or as proceeds from the sale of H shares or ADSs, or any other aspect of the purchase, ownership or disposition of H shares or ADSs.

### ***Disclosure Requirements for Specified Foreign Financial Assets***

Individual U.S. Holders (and certain U.S. entities to the extent specified in future IRS guidance) who, during any taxable year, hold any interest in any specified foreign financial asset generally will be required to file with their U.S. federal income tax returns Form 8938, setting forth certain information with respect to such asset, if the aggregate value of all such assets exceeds the applicable reporting threshold. Specified foreign financial asset generally includes any financial account maintained with a non-U.S. financial institution and may also include H Shares or ADSs if they are not held in an account maintained with a U.S. financial institution. Substantial penalties may be imposed for a failure to comply. U.S. Holders should consult their own tax advisers as to the possible application to them of these filing requirements.

## **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

## **G. STATEMENT BY EXPERTS**

Not applicable.



## **H. DOCUMENTS ON DISPLAY**

You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the U.S. Securities and Exchange Commission, or SEC, at its public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy statements and other information regarding the registrations that file electronically with the SEC.

The SEC allows us to incorporate by reference the information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

## **I. SUBSIDIARY INFORMATION**

Not applicable.

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Our exposure to financial market risks relates primarily to changes in interest rates, equity prices and exchange rates.

The following discussions and tables, which constitute forward-looking statements that involve risks and uncertainties, summarize our market-sensitive financial instruments including fair value and maturity. Such discussions address market risk only and do not present other risks which we face in the normal course of business.

For further information on our management of market risk, including the objectives and general strategies of risk management, see Item 4 Information on the Company Business Overview Investments Risk Management and Note 4 to our consolidated financial statements included elsewhere in this annual report.

## Interest Rate Risk

Our profitability is affected by changes in interest rates. We are currently experiencing a comparatively low interest rate environment in general. In November 2014, the PBOC reduced the interest rate on one-year term deposits, a key benchmark rate, from 3.00% to 2.75%. During 2015, the interest rate was further reduced five times, from 2.75% to 1.50%. From the beginning of 2016 through the date of this annual report, the interest rate remained unchanged. If interest rates were to decline in the future, the income we realize from our investments may decline, affecting our profitability. In addition, as instruments in our investment portfolio mature, we might have to reinvest the funds we receive in investments bearing a lower interest rate. However, if interest rates were to increase, surrenders and withdrawals of insurance and annuity policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows requiring that we sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. In addition, if interest rates were to increase, but we did not raise the cap set by us on the rates we guarantee for non-participating insurance products, sales of some of our products, including our non-participating investment type products, could be adversely affected.

For the years ended December 31, 2016, 2015 and 2014, our investment yield was 4.56%, 6.39%, and 5.39% respectively. Investment contracts are generally priced with guaranteed interest rates. Dividends on participating policies are required to be at least 70% of distributable earnings attributable to such policies.

The following tables set forth selected assets and liabilities with exposure to interest rates as of December 31, 2016, 2015 and 2014.

As of December 31, 2016	Expected Maturity Date						Total	Fair value
	2017	2018	2019	2020	2021	Thereafter		
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	63,466	71,709	53,115	44,127	46,853	714,000	<b>993,270</b>	1,017,685
Average interest rate	4.87%	4.59%	5.25%	4.85%	4.58%	4.56%	<b>4.64%</b>	
in US\$				13.00	34.00	117.00	<b>164.00</b>	170.00
Average interest rate				5.50%	6.15%	5.25%	<b>5.46%</b>	
<b>Variable rate bonds</b>								
in RMB	409	207	10	28		400	<b>1,054</b>	1,055
Average interest rate	5.66%	4.65%	3.80%	5.29%		4.60%	<b>5.03%</b>	
<b>Term deposits</b>								
in RMB	179,729	88,157	149,833	70,500	36,300	7,700	<b>532,219</b>	532,219
Average interest rate	5.00%	4.94%	5.00%	5.29%	3.90%	3.80%	<b>4.94%</b>	
in US\$	6,106						<b>6,106</b>	6,106
Average interest rate	1.51%						<b>1.51%</b>	
<b>Liabilities</b>								
<b>Securities sold under agreements to repurchase</b>								
in RMB	81,088						<b>81,088</b>	81,088
Average interest rate	3.64%						<b>3.64%</b>	
<b>Interest-bearing loans and other borrowings</b>								
in British pound			2,339				<b>2,339</b>	2,339
Average interest rate			3.54%				<b>3.54%</b>	

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in US\$	13,100						<b>13,100</b>	13,100
Average interest rate	2.35%						<b>2.35%</b>	
in Euro	731						<b>731</b>	731
Average interest rate	1.50%						<b>1.50%</b>	
Investment contracts	2,632	1,872	1,882	543	585	188,192	<b>195,706</b>	192,373
Average interest rate	1.60%	1.24%	0.78%	2.30%	2.26%	2.37%	<b>2.34%</b>	
Long-term insurance contracts	143,140	72,636	24,073	25,257	58,264	1,502,586	<b>1,825,956</b>	
Average guaranteed interest rate	2.53%	2.51%	2.60%	2.62%	3.17%	2.59%	<b>2.60%</b>	

As of December 31, 2015	Expected Maturity Date						Total	Fair value
	2016	2017	2018	2019	2020	Thereafter		
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	30,816	63,843	61,139	51,973	44,020	647,267	<b>899,058</b>	945,831
Average interest rate	4.84%	4.94%	4.23%	5.26%	4.86%	4.79%	<b>4.79%</b>	
in US\$	266				12	57	<b>335</b>	340
Average interest rate	10.25%	0.00%	0.00%	0.00%	6.47%	5.88%	<b>9.36%</b>	
<b>Variable rate bonds</b>								
in RMB	3,516	684	204	160	28	1,989	<b>6,581</b>	6,572
Average interest rate	4.21%	5.62%	4.67%	6.52%	5.81%	4.09%	<b>4.40%</b>	
<b>Term deposits</b>								
in RMB	176,350	173,684	88,157	48,500	70,500		<b>557,191</b>	557,191
Average interest rate	4.54%	5.14%	4.94%	5.99%	4.63%	0.00%	<b>4.93%</b>	
in US\$	5,431						<b>5,431</b>	5,431
Average interest rate	1.87%						<b>1.87%</b>	
<b>Liabilities</b>								
<b>Securities sold under agreements to repurchase</b>								
	31,354						<b>31,354</b>	31,354
Average interest rate	2.34%						<b>2.34%</b>	
<b>Interest-bearing loans and other borrowings</b>								
					2,643		<b>2,643</b>	2,643
Average interest rate					3.54%		<b>3.54%</b>	
<b>Investment contracts</b>								
	2,736	1,772	1,447	573	564	77,014	<b>84,106</b>	82,644
Average interest rate	1.43%	1.17%	1.11%	2.16%	2.31%	2.20%	<b>2.14%</b>	
	164,129	112,595	117,163	23,291	20,247	1,261,348	<b>1,698,773</b>	

Long-term  
insurance  
contracts

Average  
guaranteed  
interest rate

2.49%

2.53%

2.88%

2.54%

2.50%

2.50%

**2.53%**

As of December 31, 2014	Expected Maturity Date						Total	Fair value
	2015	2016	2017	2018	2019	Thereafter		
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	25,058	31,133	65,401	60,497	50,428	674,872	<b>907,389</b>	916,640
Average interest rate	4.87%	4.85%	4.93%	4.22%	5.26%	4.76%	<b>4.77%</b>	
in US\$	6	260				48	<b>314</b>	319
Average interest rate	4.74%	10.25%				6.33%	<b>9.54%</b>	
<b>Variable rate bonds</b>								
in RMB	696	1,811	447	204	148	1,615	<b>4,921</b>	4,908
Average interest rate	5.65%	5.40%	6.21%	4.67%	6.95%	3.99%	<b>5.06%</b>	
<b>Term deposits</b>								
in RMB	191,439	153,100	173,685	88,157	48,500	26,501	<b>681,382</b>	681,382
Average interest rate	4.17%	5.05%	5.20%	4.94%	5.99%	5.30%	<b>4.90%</b>	
in US\$	8,774						<b>8,774</b>	8,774
Average interest rate	2.53%						<b>2.53%</b>	
<b>Liabilities</b>								
Securities sold under agreements to repurchase								
	46,089						<b>46,089</b>	46,089
Average interest rate	5.39%						<b>5.39%</b>	
Interest-bearing loans and other borrowings								
					2,623		<b>2,623</b>	2,623
Average interest rate					3.54%		<b>3.54%</b>	
Investment contracts								
	2,070	1,841	1,681	610	498	65,575	<b>72,275</b>	70,694
Average interest rate	1.74%	1.07%	0.96%	2.49%	2.42%	2.53%	<b>2.44%</b>	
Long-term insurance								
	105,760	140,904	117,175	138,251	22,911	1,063,899	<b>1,588,900</b>	

contracts

Average  
guaranteed  
interest rate

2.47%

2.50%

2.52%

2.94%

2.64%

2.43%

**2.49%**



## Equity Price Risk

Our investments in securities investment funds or equity securities expose us to changes in equity prices. We manage this risk on an integrated basis with other risks through our asset-liability management strategies. We also manage equity price risk through industry and issuer diversification and asset allocation techniques.

The following table sets forth our exposure to equity securities as of December 31, 2016, 2015 and 2014.

	As of December 31,					
	2014		2015		2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>(RMB in millions)</i>						
Equity securities	236,030	236,030	411,623	411,623	421,383	421,383
Securities at fair value through profit or loss	23,840	23,840	43,006	43,006	54,718	54,718
Available-for-sale	212,190	212,190	368,617	368,617	366,665	366,665

A hypothetical 10% decline in the December 31, 2016, 2015 and 2014 value of the securities at fair value through profit or loss equity securities would result in a charge to the income statement of approximately RMB 5,472 million, RMB 4,301 million and RMB 2,384 million, respectively.

A hypothetical 10% decline in the December 31, 2016, 2015 and 2014 value of the available-for-sale equity securities would result in an unrealized loss of approximately RMB 36,667 million, RMB 36,862 million and RMB 21,219 million, respectively.

The selection of a 10% immediate change in the value of equity securities should not be construed as a prediction by us of future market events but rather as an illustration of the potential impact of such an event.

## Foreign Exchange Risk

Our exposure to fluctuations in foreign currency exchange rates against RMB results primarily from our holdings in non-RMB denominated term deposits and our foreign currency-denominated loans. Our debts and capital expenditures are predominantly in RMB and the principal currencies which create foreign currency exchange rate risk in our deposits are the U.S. dollar and Hong Kong dollar. The principal currencies which expose us to foreign currency exchange risk in our loans are the British pound, U.S. dollar and Euro. Our borrowings in foreign currencies include a five-year bank loan of GBP 275 million with a maturity date on June 17, 2019, a three-year bank loan of US\$ 948 million with a maturity date on September 27, 2019, a three-year bank loan of US\$ 940 million with a maturity date on September 30, 2019 and a six-month bank loan of EUR100 million with a maturity date on June 9, 2017. We recorded RMB 582 million (US\$ 84 million) in foreign exchange gains for the year ended December 31, 2016, resulting mainly from the increase of our assets held in foreign currencies and the depreciation of the Renminbi. Future movements in the exchange rate of RMB against the U.S. dollar and other foreign currencies may adversely affect our results of operations and financial condition.

The following tables set forth assets denominated in currencies other than RMB as of December 31, 2016, 2015 and 2014.

As of December 31, 2016	Expected Maturity Date						Total	Fair value
	2017	2018	2019	2020	2021	Thereafter		
<i>(in millions)</i>								
<b>Debt securities</b>								
in US\$	288		1	13	34	176	<b>512</b>	518
Average interest rate			0.12%	5.50%	6.15%	3.82%	<b>1.87%</b>	
Other			3			26	<b>29</b>	29
Average interest rate			1.05%			1.26%	<b>1.24%</b>	
<b>Term deposits</b>								
in US\$	6,106						<b>6,106</b>	6,106
Average interest rate	1.51%						<b>1.51%</b>	
<b>Cash and cash equivalents</b>								
in US\$	2,685						<b>2,685</b>	2,685
Average interest rate	0.53%						<b>0.53%</b>	
in HK\$	2,083						<b>2,083</b>	2,083
Average interest rate								
in British pound	145						<b>145</b>	145
Average interest rate								
Other	15						<b>15</b>	15
Average interest rate								
<b>Liabilities</b>								
<b>Interest-bearing loans and other borrowings</b>								
in British pound			2,339				<b>2,339</b>	2,339
Average interest rate			3.54%				<b>3.54%</b>	
in US\$			13,100				<b>13,100</b>	13,100
Average interest rate			2.35%				<b>2.35%</b>	
in Euro	731						<b>731</b>	731
Average interest rate	1.50%						<b>1.50%</b>	

As of December 31, 2015	Expected Maturity Date						Total	Fair value
	2016	2017	2018	2019	2020	Thereafter		
	<i>(in millions)</i>							
<b>Debt securities</b>								
in US\$	597	4			12	92	<b>705</b>	711
Average interest rate	4.51%	0.13%			6.47%	4.18%	<b>4.48%</b>	
<b>Term deposits</b>								
in US\$	5,431						<b>5,431</b>	5,431
Average interest rate	1.87%						<b>1.87%</b>	
<b>Cash and cash equivalents</b>								
in US\$	3,743						<b>3,743</b>	3,743
Average interest rate	0.03%						<b>0.03%</b>	
in HK\$	636						<b>636</b>	636
Average interest rate	0.00%						<b>0.00%</b>	
in British pound	132						<b>132</b>	132
Average interest rate	0.01%						<b>0.01%</b>	
<b>Liabilities</b>								
<b>Interest-bearing loans and other borrowings</b>								
in British pound				2,643			<b>2,643</b>	2,643
Average interest rate				4.02%			<b>4.02%</b>	

As of December 31, 2014	Expected Maturity Date						Total	Fair value
	2015	2016	2017	2018	2019	Thereafter		
	<i>(in millions)</i>							
<b>Debt securities</b>								
in US\$	6	260				48	<b>314</b>	319
Average interest rate	4.74%	10.25%				6.33%	<b>9.54%</b>	
<b>Term deposits</b>								
in US\$	8,774						<b>8,774</b>	8,774
Average interest rate	2.53%						<b>2.53%</b>	
<b>Cash and cash equivalents</b>								
in US\$	3,662						<b>3,662</b>	3,662
Average interest rate	0.05%						<b>0.05%</b>	
in HK\$	68						<b>68</b>	68
Average interest rate	0.01%						<b>0.01%</b>	
in British pound	54						<b>54</b>	54
Average interest rate	0.05%						<b>0.05%</b>	
<b>Liabilities</b>								
<b>Interest-bearing loans and other borrowings</b>								
in British pound					2,623		<b>2,623</b>	2,623
Average interest rate					3.54%		<b>3.54%</b>	

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.****A. DEBT SECURITIES**

Not applicable.

**B. WARRANTS AND RIGHTS**

Not applicable.

**C. OTHER SECURITIES**

Not applicable.

**D. AMERICAN DEPOSITARY SHARES**

The table below sets forth all fees and charges that a holder of our ADRs may have to pay to the depositary bank of our ADR program, either directly or indirectly.

<b>Category</b>	<b>Depositary Actions</b>	<b>Associated Fee</b>
(a) Depositing or substituting the underlying shares	Each person to whom ADRs are issued against deposits of shares, including deposits and issuances in respect of:  share distributions, rights, merger  exchange of securities or any other transaction or event or other distribution affecting the ADSs or the deposited securities	US\$ 5.00 for each 100 ADSs (or portion thereof) evidenced by the new ADRs delivered
(b) Receiving or distributing dividends	Distribution of dividends	US\$ 0.02 or less per ADS
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	US\$ 5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	US\$ 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping	Transfers, combining or grouping of depositary receipts	US\$ 1.50 per ADS

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receipts

(f) Expenses of the  
depository

Expenses incurred on behalf of ADR holders in connection  
with:

Expenses payable at the sole  
discretion of the depository  
by billing ADR holders or by  
deducting charges from one  
or more cash dividends or  
other cash distributions.

compliance with foreign exchange control regulations or any  
law or regulation relating to foreign investment;

the depository's or its custodian's compliance with applicable  
law, rule or regulation;

stock transfer or other taxes and other governmental charges;

cable, telex, facsimile transmission and delivery;

expenses of the depository in connection with the conversion  
of foreign currency into U.S. dollars (which are paid out of  
such foreign currency); and

any other charge payable by depository or its agents.

Deutsche Bank Trust Company Americas, or Deutsche Bank, has served as the depository bank of our ADR program since January 4, 2010. Deutsche Bank has agreed to reimburse certain reasonable company expenses related to our ADR program and incurred by us in connection with our ADR program. The table below sets forth the amounts reimbursed from January 1, 2016 to April 7, 2017.

<b>Category of Expenses</b>	<b>Amount Reimbursed from January 1, 2016 to April 7, 2017</b>	
NYSE listing fees	US\$	112,000
Legal fees	US\$	0
Investor relations(1)	US\$	498,008
Broker reimbursements(2)	US\$	80,636
<b>Total</b>	<b>US\$</b>	<b>690,644</b>

- (1) Includes expenses related to announcement of results, ADR training programs, non-deal roadshows and investor relations activities.
- (2) Broker reimbursements are fees payable to Broadridge and other service providers for the distribution of hard copy material to beneficial ADR holders holding in the Depository Trust Company. Corporate material includes information related to shareholders meetings and related voting instruction cards. These fees are SEC approved.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

#### A. MATERIAL MODIFICATION TO THE RIGHTS OF SECURITY HOLDERS

See Item 10. Additional Information Articles of Association .

#### B. USE OF PROCEEDS

The following use of proceeds information relates to our registration statement on Form F-1 (File No. 333-110615), filed by us in connection with our initial public offering of H shares in the United States. In connection with the registration of the H shares, a registration statement on Form F-6 (File No.333-110622) was also filed for ADSs representing such H shares. Each of these two registration statements was declared effective by the SEC on December 11, 2003. Our H shares commenced trading on the Hong Kong Stock Exchange on December 18, 2003 and the ADSs on the New York Stock Exchange on December 17, 2003.

The net proceeds from the initial public offering of our shares, after deduction of fees and expenses, amounted to RMB 24,707 million and were held in either H.K. dollars or U.S. dollars. As of the date of this annual report, a part of the cash proceeds from our global offering was held in bank deposit accounts denominated in foreign currencies in China, and part of the cash proceeds was invested in securities listed on overseas stock exchanges, multi-asset

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portfolios and private equity funds. We invested approximately US\$ 433 million, in addition to 2,282 million in Renminbi, in Guangdong Development Bank in December 2006. We used approximately HK\$12 billion for investments in Sino-Ocean Land Holdings Limited in 2009, 2010 and 2013. As of December 31, 2016, we had engaged 13 investment managers to manage US\$ 1,300 million for investment in overseas public markets.



## ITEM 15. CONTROLS AND PROCEDURES.

### Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, we have carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2016, the end of the period covered by this annual report. Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2016.

### Management's Report on Internal Control Over Financial Reporting

Management of China Life Insurance Company Limited (together with its consolidated subsidiaries, the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets and liabilities of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the applicable generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013 framework). Based on this assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2016.

The Company's internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young Hua Ming LLP, an independent registered public accounting firm, as stated in their report which is on pages F-3 and F-4 of this annual report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2016.



## Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our board of directors has determined that Mr. Chang Tso Tung Stephen qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F. Mr. Chang Tso Tung Stephen is independent in accordance with the applicable requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Mr. Chang was appointed as an independent non-executive director and a member of the audit committee of our Company in October 2014. For Mr. Chang's biographical information, see Item 6. Directors, Senior Management and Employees.

## ITEM 16B. CODE OF ETHICS.

At the board of directors meeting held on June 29, 2004, we adopted a code of business conduct and ethics that applies to our chief executive officer, chief financial officer, controller and other senior officers of our company. We have filed the adopted code of business conduct and ethics as an exhibit to our annual report on Form 20-F for the fiscal year ended December 31, 2004, as filed on May 27, 2005.

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate audit fees, audit-related fees, tax fees and all other fees paid to our principal accountants for the fiscal years of 2016 and 2015.

	Audit Fees <sup>(1)</sup>	Audit-Related Fees	Tax Fees	All Other Fees
	<i>(RMB in millions)</i>			
2016	58			2 <sup>(2)</sup>
2015	60			

(1) Audit fees include fees billed for professional services rendered for audits of the consolidated financial statements and review of interim financial statements of China Life.

(2) All other fees include fees billed for advisory services which do not affect the independence of our principal accountants.

According to our current internal rules, before our principal accountants are engaged by us to render audit or non-audit services, the engagement must be approved by our audit committee.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

As of December 31, 2016, China Life and its subsidiaries had not purchased, sold or redeemed any of China Life's shares.



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**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

On October 27, 2016, our board of directors resolved, as recommended by our audit committee, to propose to appoint Ernst & Young Hua Ming LLP as the Company's independent registered public accounting firm. At the first extraordinary general meeting of the Company held on December 27, 2016, the shareholders of the Company approved the appointment of Ernst & Young Hua Ming LLP as the Company's independent registered public accounting firm effective for the fiscal year ending December 31, 2016, and Ernst & Young resigned on the same day. We reported the change in our independent registered public accounting firm on Form 6-K filed with the SEC on December 27, 2016. The change was not made due to any disagreements with Ernst & Young.

The reports of Ernst & Young on our consolidated financial statements for the two fiscal years ended December 31, 2014 and 2015 contain no adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two fiscal years ended December 31, 2014 and 2015, and the subsequent interim period through December 27, 2016, the date of resignation of Ernst & Young, there have been no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young, would have caused it to make reference thereto in their reports on the consolidated financial statements for such years.

During the two fiscal years ended December 31, 2014 and 2015, and the subsequent interim period through December 27, 2016, there have been no reportable events requiring disclosure pursuant to Item 16F(a)(1)(v) of Form 20-F.

We provided a copy of the above disclosure under this Item 16F to Ernst & Young and requested that Ernst & Young furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from Ernst & Young addressed to the SEC, dated April 21, 2017, is filed as Exhibit 15.1.

During the two fiscal years ended December 31, 2014 and 2015, and the subsequent interim period prior to our engagement of Ernst & Young Hua Ming LLP, neither we nor anyone on our behalf consulted Ernst & Young Hua Ming LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a disagreement with Ernst & Young Hua Ming LLP or a reportable event. Also, during the two fiscal years ended December 31, 2014 and 2015, and the subsequent interim period prior to our engagement of Ernst & Young Hua Ming LLP, we have not obtained any written report or oral advice that Ernst & Young Hua Ming LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.

As used herein, the term "reportable event" means any of the items listed in paragraphs (a)(1)(v)(A)-(D) of Item 16F of Form 20-F, and the term "disagreement" shall be interpreted in accordance with Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F.

## ITEM 16G. CORPORATE GOVERNANCE.

As a Chinese company with H shares, ADSs and A shares publicly traded on the HKSE, the NYSE and the SSE, respectively, we must comply with the corporate governance standards provided by PRC company law and other laws, as well as the securities laws and regulations in Hong Kong, United States and the listing requirements of the HKSE, the NYSE and the SSE that are applicable to us. The description set forth below includes, for purpose of Section 303A.11 of the NYSE Listed Company Manual, a summary of the significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under NYSE rules.

### Board Independence

We identify our independent non-executive directors in accordance with the qualifications provided by relevant PRC and Hong Kong regulations, which prohibit independent directors from having, among other things, specified interests in our securities or business, relationships with the management and financial dependence on us. These tests vary in certain respects with those set forth under Section 303A.02 of the NYSE Listed Company Manual.

Section 303A.02 of the NYSE Listed Company Manual also requires the board of directors to affirmatively determine that the director has no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). Under the HKSE Listing Rules, each independent non-executive director must provide an annual confirmation of his independence to the listed company. Under the Tentative Guidelines on Corporate Governance of Insurance Companies issued by the CIRC in 2006 (the Chinese Insurance Company Corporate Governance Guidelines), each independent director must make a public announcement of the director's independence and commitment to duties.

Section 303A.01 of the NYSE Listed Company Manual provides that a U.S. domestic issuer must have a majority of independent directors, unless more than 50% of such issuer's voting power for the election of directors is controlled by an individual, a group or another company (a controlled company). Because more than 60% of our voting power is controlled by CLIC, we, as with controlled U.S. domestic companies, would not be required to comply with this independent board requirement. As of the date of this annual report, our board of directors comprised eleven directors, including four executive directors, three non-executive directors and four independent non-executive directors.

Section 303A.03 of the NYSE Listed Company Manual requires a U.S. domestic company to have its non-management directors meet at regularly scheduled executive sessions without management and hold an executive session including only independent directors at least once a year, or hold regular executive sessions of independent directors. Under the HKSE corporate governance rules effective since April 1, 2012, the chairman of our board of directors is required to have a meeting with non-executive directors (including independent non-executive directors) only without the executive directors present at least once a year. On December 20, 2016, the chairman of our board convened a meeting of non-executive directors to discuss the operational management and development reform of the Company.

### **Nominating/Corporate Governance Committee and Compensation Committee**

Under Section 303A.04 of the NYSE Listed Company Manual, a U.S. domestic company must have a nominating/corporate governance committee composed entirely of independent directors with a written charter that addresses certain specified responsibilities, unless it is a controlled company. Section 303A.05 of the NYSE Listed Company Manual requires a U.S. domestic company to have a compensation committee composed entirely of independent directors with a written charter that addresses certain specified duties, unless it is a controlled company. We, as with controlled U.S. domestic companies, are not required under NYSE rules to have such a nominating/corporate governance committee or compensation committee. We have established a nominating and remuneration committee in accordance with the HKSE Listing Rules, comprised of a majority of independent non-executive directors as required under those rules. The primary duties of the nomination and remuneration committee are to review the structure and components of our board of directors, to formulate the appointment and successors to our board of directors and senior management, to review and recommend the nomination of our directors and senior officers, as well as to propose to our board of directors the remuneration policy for our directors, supervisors and senior management. The Chinese Insurance Company Corporate Governance Guidelines require that nominating and remuneration committees of Chinese insurance companies be comprised entirely of non-executive directors with the independent directors as the Chairmen. In 2016, our nominating and remuneration committee comprised two independent non-executive directors and one non-executive director with one of the independent non-executive directors serving as the Chairman. We have complied with the composition requirements of the nomination and remuneration committee as prescribed under the Chinese Insurance Company Corporate Governance Guidelines.

### **Audit Committee**

The NYSE rules set forth two levels of audit committee standards for U.S. domestic companies and foreign private issuers. As a foreign private issuer, we are required to comply with the audit committee requirements under Section 303A.06 of the NYSE Listed Company Manual, such as audit committee independence and certain functions and powers, but are not subject to the additional qualifications, independence, function and other requirements for U.S. domestic companies provided under Section 303A.07 of the NYSE Listed Company Manual.

We have established an audit committee in accordance with the requirements of Section 303A.06 of the NYSE Listed Company Manual, the HKSE Listing Rules and the Chinese Insurance Company Corporate Governance Guidelines. In 2016, our audit committee comprised three independent non-executive directors with one of them serving as the Chairman. The primary duties of the audit committee are to review and supervise the financial reporting process, to assess the effectiveness of our risk management and internal control system, to supervise our internal audit system and its implementation and to implement and recommend the engagement or replacement of external auditors. Our audit committee is also responsible for communications between our internal and external auditors and our internal reporting system.

### **Corporate Governance Guidelines**

Under Section 303A.09 of the NYSE Listed Company Manual, a U.S. domestic company must adopt and disclose corporate governance guidelines that address specified key subjects. We are not required by Chinese or Hong Kong laws or requirements to, and currently do not, have such corporate governance guidelines. However, we address several of the key subjects required by the NYSE Listed Company Manual to be included in the corporate governance guidelines in our articles of association, Rules of Procedures for Board of Directors, Rules of Internal Control and other internal corporate documents.

In addition, under the HKSE Listing Rules, we are expected to comply with, but may choose to deviate from, the provisions of the Corporate Governance Code in the HKSE Listing Rules, which sets out the principles of good

corporate governance for issuers. However, we are required to disclose the reasons for deviation, if any, in our interim and annual reports.



We are required by the CSRC to disclose in our annual report filed with the CSRC our actual corporate governance practice as compared with CSRC's rules on corporate governance of listed companies. Under such rules, we are required to disclose the differences between our actual practices and the requirements under such rules, if any. Accordingly, we have disclosed in our annual report for the year of 2016 filed with the CSRC that we had established a corporate governance structure with well-defined duties and responsibilities strictly in accordance with the PRC Company Law and PRC Securities Law as well as relevant rules and regulations, and that our actual corporate governance practices are generally in compliance with the applicable regulatory rules and requirements of the jurisdictions where we are listed.

### **Code of Business Conduct and Ethics**

Section 303A.10 of the NYSE Listed Company Manual requires U.S. domestic companies to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. We have adopted a Code of Business Conduct and Ethics for Directors and Senior Officers and Code of Conduct for Employees. We have disclosed the Code of Business Conduct and Ethics for Directors and Senior Officers in our annual report under Form 20-F for fiscal year ended December 31, 2004 and are required to disclose in the annual report under Form 20-F any waivers of the code for directors or executive officers. In addition, according to the HKSE Listing Rules, all of our directors must comply with the Model Code for Securities Transactions by Directors of Listed Companies that sets forth the required standards with which the directors of a listed company must comply in securities transactions of the listed company. Under the Listing Rules of the Shanghai Stock Exchange, any of the directors, supervisors or senior management of the listed company may not transfer any shares of such company held by him/her within one year of the listing of the company or six months after leaving the company. During his/her tenure at the company, he/she must file with the Shanghai Stock Exchange for record in advance any proposed transaction in the shares of the company in accordance with the relevant rules and regulations. In case of changes in shareholdings in the company, he/she shall report the changes on a timely basis to the company, which must then make relevant announcements on the website of the Shanghai Stock Exchange.

### **Certification Requirements**

Under Section 303A.12(a) of the NYSE Listed Company Manual, each U.S. domestic company Chief Executive Officer must certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards. There are no similar requirements under PRC or Hong Kong laws or requirements.

### **ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

## **PART III**

### **ITEM 17. FINANCIAL STATEMENTS.**

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

### **ITEM 18. FINANCIAL STATEMENTS.**

See Index to Consolidated Financial Statements for a list of all financial statements filed as part of this annual report.

### **ITEM 19. EXHIBITS.**

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- (a) See Item 18 for a list of the financial statements filed as part of this annual report.
- (b) Exhibits to this annual report.

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**EXHIBIT INDEX**

<b>No.</b>	<b>Description of Exhibit</b>
1.1	Amended and Restated Articles of Association of the Registrant
2.1	Form of H share certificate <sup>(1)</sup>
2.2	Form of Deposit Agreement, including the Form of American Depositary Receipt <sup>(2)</sup>
4.1	Restructuring Agreement <sup>(1)</sup>
4.2	Trademark License Agreement <sup>(1)</sup>
4.3	Policy Management Agreement <sup>(4)</sup>
4.4	Non-Competition Agreement <sup>(1)</sup>
4.5	Asset Management Agreement between China Life Insurance (Group) Company and China Life Asset Management Company Limited <sup>(5)</sup>
4.6	Asset Management Agreement between China Life Insurance Company Limited and China Life Investment Holding Company Limited <sup>(5)</sup>
4.7	Asset Management Agreement between China Life Insurance Company Limited and China Life Asset Management Company Limited <sup>(5)</sup>
4.8	Property Leasing Agreement <sup>(4)</sup>
4.9	Entrustment and Account Management Agreement for Corporate Annuity Fund <sup>(4)</sup>
4.10	Insurance Sales Framework Agreement between China Life Insurance Company Limited and China Life Property and Casualty Insurance Company Limited <sup>(4)</sup>
4.11	Supplementary Agreement to Insurance Sales Framework Agreement between China Life Insurance Company Limited and China Life Property and Casualty Insurance Company Limited
8.1	List of subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics <sup>(3)</sup>
12.1	Certification pursuant to Rule 13a-14(a)
12.2	Certification pursuant to Rule 13a-14(a)
13.1	Certification pursuant to Rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1	Letter from Ernst & Young

(1) Incorporated by reference to the Registration Statement on Form F-1 (File No. 333-110615), filed with the Commission on December 9, 2003.

(2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-164005), Post-Effective Amendment No. 1 to Form F-6 (File No. 333-164005) and Post-Effective Amendment No. 2 to Form F-6 (file No. 333-164005) filed with the Commission on January 4, 2010, January 27, 2015 and May 1, 2015, respectively.

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- (3) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed with the Commission on May 27, 2005.
  
- (4) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed with the Commission on April 24, 2015.
  
- (5) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the Commission on April 22, 2016.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

China Life Insurance Company Limited

By: /s/ Lin Dairen

Name: Lin Dairen

Title: President and Executive Director

Date: April 21, 2017

CHINA LIFE INSURANCE COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

Audited Consolidated Financial Statements

For the year ended 31 December 2016

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Historical Consolidated Financial Statements**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of China Life Insurance Company Limited

We have audited the accompanying consolidated statement of financial position of China Life Insurance Company Limited (the Company ) as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2016. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Life Insurance Company Limited at December 31, 2016, and the consolidated results of its operations and its cash flows for the year ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), China Life Insurance Company Limited s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP

Beijing, People s Republic of China  
April 21, 2017



**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of China Life Insurance Company Limited

We have audited China Life Insurance Company Limited's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). China Life Insurance Company Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on China Life Insurance Company Limited's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Report of Independent Registered Public Accounting Firm (continued)**

In our opinion, China Life Insurance Company Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of China Life Insurance Company Limited as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and our report dated April 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP

Beijing, People's Republic of China  
April 21, 2017

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of China Life Insurance Company Limited

We have audited the accompanying consolidated statement of financial position of China Life Insurance Company Limited (the Company ) as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Life Insurance Company Limited at December 31, 2015, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young

Hong Kong  
April 22, 2016

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**CHINA LIFE INSURANCE COMPANY LIMITED**
**Consolidated Statement of Financial Position****As at 31 December 2016**

	<i>Notes</i>	<b>As at 31 December 2016 RMB million</b>	<b>As at 31 December 2015 RMB million</b>
<b>ASSETS</b>			
Property, plant and equipment	6	<b>30,389</b>	26,974
Investment properties	7	<b>1,191</b>	1,237
Investments in associates and joint ventures	8	<b>119,766</b>	47,175
Held-to-maturity securities	9.1	<b>594,730</b>	504,075
Loans	9.2	<b>226,573</b>	207,267
Term deposits	9.3	<b>538,325</b>	562,622
Statutory deposits – restricted	9.4	<b>6,333</b>	6,333
Available-for-sale securities	9.5	<b>766,423</b>	770,516
Securities at fair value through profit or loss	9.6	<b>209,124</b>	137,990
Securities purchased under agreements to resell	9.7	<b>43,538</b>	21,503
Accrued investment income	9.8	<b>55,945</b>	49,552
Premiums receivable	11	<b>13,421</b>	11,913
Reinsurance assets	12	<b>2,134</b>	1,420
Other assets	13	<b>22,013</b>	23,642
Cash and cash equivalents		<b>67,046</b>	76,096
<b>Total assets</b>		<b>2,696,951</b>	2,448,315

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Financial Position (continued)**

As at 31 December 2016

	<i>Notes</i>	<b>As at 31 December 2016 RMB million</b>	<b>As at 31 December 2015 RMB million</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contracts	<i>14</i>	<b>1,847,986</b>	1,715,985
Investment contracts	<i>15</i>	<b>195,706</b>	84,106
Policyholder dividends payable		<b>87,725</b>	107,774
Interest-bearing loans and borrowings	<i>16</i>	<b>16,170</b>	2,643
Bonds payable	<i>17</i>	<b>37,998</b>	67,994
Financial liabilities at fair value through profit or loss		<b>2,031</b>	856
Securities sold under agreements to repurchase	<i>18</i>	<b>81,088</b>	31,354
Annuity and other insurance balances payable		<b>39,038</b>	30,092
Premiums received in advance		<b>35,252</b>	32,266
Other liabilities	<i>19</i>	<b>36,836</b>	26,514
Deferred tax liabilities	<i>28</i>	<b>7,768</b>	16,953
Current income tax liabilities		<b>1,214</b>	5,347
Statutory insurance fund	<i>20</i>	<b>491</b>	217
<b>Total liabilities</b>		<b>2,389,303</b>	2,122,101
<b>Equity</b>			
Share capital	<i>33</i>	<b>28,265</b>	28,265
Other equity instruments	<i>34</i>	<b>7,791</b>	7,791
Reserves	<i>35</i>	<b>145,007</b>	163,381
Retained earnings		<b>122,558</b>	123,055
<b>Attributable to equity holders of the Company</b>		<b>303,621</b>	322,492
<b>Non-controlling interests</b>		<b>4,027</b>	3,722
<b>Total equity</b>		<b>307,648</b>	326,214
<b>Total liabilities and equity</b>		<b>2,696,951</b>	2,448,315

Approved and authorised for issue by the Board of Directors on 23 March 2017.

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.



**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Comprehensive Income****For the year ended 31 December 2016**

	<i>Notes</i>	<b>2016</b> RMB million	2015 RMB million	2014 RMB million
<b>REVENUES</b>				
Gross written premiums		<b>430,498</b>	363,971	331,010
Less: premiums ceded to reinsurers		<b>(1,758)</b>	(978)	(515)
Net written premiums		<b>428,740</b>	362,993	330,495
Net change in unearned premium reserves		<b>(2,510)</b>	(692)	(390)
<b>Net premiums earned</b>		<b>426,230</b>	362,301	330,105
Investment income	21	<b>109,147</b>	97,582	93,548
Net realised gains on financial assets	22	<b>6,038</b>	32,297	7,120
Net fair value gains/(losses) through profit or loss	23	<b>(7,094)</b>	10,209	5,808
Other income		<b>6,460</b>	5,060	4,185
<b>Total revenues</b>		<b>540,781</b>	507,449	440,766
<b>BENEFITS, CLAIMS AND EXPENSES</b>				
Insurance benefits and claims expenses				
Life insurance death and other benefits	24	<b>(253,157)</b>	(221,701)	(192,659)
Accident and health claims and claim adjustment expenses	24	<b>(27,269)</b>	(21,009)	(16,752)
Increase in insurance contract liabilities	24	<b>(126,619)</b>	(109,509)	(105,883)
Investment contract benefits	25	<b>(5,316)</b>	(2,264)	(1,958)
Policyholder dividends resulting from participation in profits		<b>(15,883)</b>	(33,491)	(24,866)
Underwriting and policy acquisition costs		<b>(52,022)</b>	(35,569)	(27,147)
Finance costs	26	<b>(4,767)</b>	(4,320)	(4,726)
Administrative expenses		<b>(31,854)</b>	(27,458)	(25,432)
Other expenses		<b>(4,859)</b>	(7,428)	(4,151)
Statutory insurance fund contribution	20	<b>(1,048)</b>	(743)	(701)
<b>Total benefits, claims and expenses</b>		<b>(522,794)</b>	(463,492)	(404,275)
Share of profit of associates and joint ventures, net	8	<b>5,855</b>	1,974	3,911
<b>Profit before income tax</b>	27	<b>23,842</b>	45,931	40,402
Income tax	28	<b>(4,257)</b>	(10,744)	(7,888)
<b>Net profit</b>		<b>19,585</b>	35,187	32,514
Attributable to:				
- Equity holders of the Company		<b>19,127</b>	34,699	32,211

- Non-controlling interests		<b>458</b>	488	303
<b>Basic and diluted earnings per share</b>	29	<b>RMB0.66</b>	RMB1.22	RMB1.14

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.



**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Comprehensive Income (continued)**

For the year ended 31 December 2016

	<i>Note</i>	<b>2016</b> RMB million	2015 RMB million	2014 RMB million
<b>Other comprehensive income</b>				
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>				
Fair value gains/(losses) on available-for-sale securities		<b>(44,509)</b>	54,080	70,342
Amount transferred to net profit from other comprehensive income		<b>(6,038)</b>	(32,297)	(7,120)
Portion of fair value changes on available-for-sale securities attributable to participating policyholders		<b>17,372</b>	(12,767)	(11,035)
Share of other comprehensive income of associates and joint ventures under the equity method		<b>(864)</b>	353	120
Exchange differences on translating foreign operations		<b>21</b>	10	
Income tax relating to components of other comprehensive income	28	<b>8,242</b>	(2,242)	(13,023)
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>				
		<b>(25,776)</b>	7,137	39,284
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>				
<b>Other comprehensive income for the year, net of tax</b>				
		<b>(25,776)</b>	7,137	39,284
<b>Total comprehensive income for the year, net of tax</b>				
		<b>(6,191)</b>	42,324	71,798
Attributable to:				
- Equity holders of the Company		<b>(6,647)</b>	41,775	71,443
- Non-controlling interests		<b>456</b>	549	355

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Changes in Equity****For the year ended 31 December 2016**

	Attributable to equity holders of the Company				Non- controlling interests	Total
	Share capital RMB million (Note 33)	Other equity instruments RMB million (Note 34)	Reserves RMB million (Note 35)	Retained earnings RMB million	RMB million	RMB million
<b>As at 1 January 2014</b>	28,265		97,029	95,037	2,254	222,585
Net profit				32,211	303	32,514
Other comprehensive income			39,232		52	39,284
<b>Total comprehensive income</b>			39,232	32,211	355	71,798
<b>Transactions with owners</b>						
Capital paid in by non-controlling interests			826		692	1,518
Appropriation to reserves (Note 35)			8,832	(8,832)		
Dividends paid (Note 31)				(8,479)		(8,479)
Dividends to non-controlling interests					(91)	(91)
<b>Total transactions with owners</b>			9,658	(17,311)	601	(7,052)
<b>As at 31 December 2014</b>	28,265		145,919	109,937	3,210	287,331

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Changes in Equity (continued)****For the year ended 31 December 2016**

	Attributable to equity holders of the Company				Non- controlling interests	Total
	Share capital RMB million (Note 33)	Other equity instruments RMB million (Note 34)	Reserves RMB million (Note 35)	Retained earnings RMB million	RMB million	RMB million
<b>As at 1 January 2015</b>	28,265		145,919	109,937	3,210	287,331
Net profit				34,699	488	35,187
Other comprehensive income			7,076		61	7,137
<b>Total comprehensive income</b>			7,076	34,699	549	42,324
<b>Transactions with owners</b>						
Capital paid in by non-controlling interests					80	80
Capital paid in by other equity instruments holders		7,791				7,791
Appropriation to reserves (Note 35)			10,090	(10,090)		
Dividends paid (Note 31)				(11,491)		(11,491)
Dividends to non-controlling interests					(117)	(117)
Others			296			296
<b>Total transactions with owners</b>		7,791	10,386	(21,581)	(37)	(3,441)
<b>As at 31 December 2015</b>	28,265	7,791	163,381	123,055	3,722	326,214

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Changes in Equity (continued)**

For the year ended 31 December 2016

	Attributable to equity holders of the Company			Non- controlling	Total	
	Share	equity	Retained	interests		
	capital RMB million (Note 33)	instruments RMB million (Note 34)	Reserves RMB million (Note 35)	earnings RMB million		RMB million
<b>As at 1 January 2016</b>	<b>28,265</b>	<b>7,791</b>	<b>163,381</b>	<b>123,055</b>	<b>3,722</b>	<b>326,214</b>
Net profit				19,127	458	19,585
Other comprehensive income			(25,774)		(2)	(25,776)
<b>Total comprehensive income</b>			<b>(25,774)</b>	<b>19,127</b>	<b>456</b>	<b>(6,191)</b>
<b>Transactions with owners</b>						
Appropriation to reserves (Note 35)			7,367	(7,367)		
Dividends paid (Note 31)				(12,257)		(12,257)
Dividends to non-controlling interests					(151)	(151)
Others			33			33
<b>Total transactions with owners</b>			<b>7,400</b>	<b>(19,624)</b>	<b>(151)</b>	<b>(12,375)</b>
<b>As at 31 December 2016</b>	<b>28,265</b>	<b>7,791</b>	<b>145,007</b>	<b>122,558</b>	<b>4,027</b>	<b>307,648</b>

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Cash Flows****For the year ended 31 December 2016**

	2016 RMB million	2015 RMB million	2014 RMB million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax	23,842	45,931	40,402
Adjustments for:			
Investment income	(109,147)	(97,582)	(93,548)
Net realised and unrealised losses/(gains) on financial assets	1,056	(42,506)	(12,928)
Insurance contracts	131,354	112,142	108,955
Depreciation and amortisation	2,083	2,036	2,124
Foreign exchange gains	(582)	(812)	(268)
Share of profit of associates and joint ventures, net	(5,855)	(1,974)	(3,911)
Changes in operating assets and liabilities:			
Securities at fair value through profit or loss	(76,318)	(100,089)	(13,698)
Financial liabilities at fair value through profit or loss	1,539	403	9,704
Receivables and payables	124,466	70,482	41,330
Income tax paid	(9,331)	(8,380)	(1,923)
Interest received securities at fair value through profit or loss	5,465	1,225	1,902
Dividends received securities at fair value through profit or loss	526	313	106
<b>Net cash inflows/(outflows) from operating activities</b>	<b>89,098</b>	<b>(18,811)</b>	<b>78,247</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Disposals and maturities:			
Disposals of debt securities	10,447	11,546	21,242
Maturities of debt securities	50,101	41,806	22,407
Disposals of equity securities	508,476	400,451	285,647
Property, plant and equipment	114	199	437
Disposal of subsidiaries	(11)	3,875	
Purchases:			
Debt securities	(173,628)	(53,340)	(115,808)
Equity securities	(537,012)	(522,787)	(312,544)
Property, plant and equipment	(5,310)	(8,384)	(5,048)
Capital contribution to associates and joint ventures	(65,158)	(766)	(5,671)
Decrease/(increase) in term deposits, net	37,515	124,838	(25,972)
Decrease/(increase) in securities purchased under agreements to resell, net	(22,035)	(9,602)	(3,630)
Interest received	78,891	81,688	78,903
Dividends received	20,390	8,828	4,258
Decrease/(increase) in policy loans, net	(7,483)	(11,305)	(13,478)
<b>Net cash inflows/(outflows) from investing activities</b>	<b>(104,703)</b>	<b>67,047</b>	<b>(69,257)</b>

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The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

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**CHINA LIFE INSURANCE COMPANY LIMITED****Consolidated Statement of Cash Flows (continued)****For the year ended 31 December 2016**

	<b>2016</b>	2015	2014
	<b>RMB million</b>	RMB million	RMB million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in securities sold under agreements to repurchase, net	<b>49,999</b>	(13,757)	25,663
Cash received from issuing other equity instruments		7,791	
Interest paid	<b>(4,891)</b>	(4,471)	(4,618)
Dividends paid to equity holders of the Company	<b>(12,257)</b>	(11,491)	(8,479)
Dividends paid to non-controlling interests	<b>(151)</b>	(117)	(91)
Cash received from borrowings	<b>13,831</b>		2,881
Capital injected into subsidiaries by non-controlling interests	<b>2,939</b>	2,630	1,358
Cash repaid to lenders	<b>(30,000)</b>		(10)
Cash paid related to other financing activities	<b>(13,200)</b>		
<b>Net cash inflows/(outflows) from financing activities</b>	<b>6,270</b>	(19,415)	16,704
<b>Foreign exchange gains/(losses) on cash and cash equivalents</b>	<b>285</b>	241	10
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9,050)</b>	29,062	25,704
<b>Cash and cash equivalents</b>			
<b>Beginning of the year</b>	<b>76,096</b>	47,034	21,330
<b>End of the year</b>	<b>67,046</b>	76,096	47,034
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and in hand	<b>64,364</b>	74,135	45,439
Short-term bank deposits	<b>2,682</b>	1,961	1,595

The notes on pages 14 to 93 form an integral part of these consolidated financial statements.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

China Life Insurance Company Limited (the Company) was established in the People's Republic of China (China or the PRC) on 30 June 2003 as a joint stock company with limited liability as part of a group restructuring of China Life Insurance (Group) Company (CLIC, formerly China Life Insurance Company) and its subsidiaries (the Restructuring). The Company and its subsidiaries are hereinafter collectively referred to as the Group. The Group's principal activity is the writing of life insurance business, providing life, annuity, accident and health insurance products in China.

The Company is a joint stock company incorporated in the PRC with limited liability. The address of its registered office is 16 Financial Street, Xicheng District, Beijing, the PRC. The Company is listed on the New York Stock Exchange, the Stock Exchange of Hong Kong Limited, and the Shanghai Stock Exchange.

These consolidated financial statements are presented in millions of Renminbi (RMB million) unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 23 March 2017.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The Group has prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (IASB). These 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 applicable disclosure requirements of the Hong Kong Companies Ordinance. The Group has prepared the consolidated financial statements under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, available-for-sale securities, insurance contract liabilities and certain property, plant and equipment at deemed cost as part of the Restructuring process. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

**2.1.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2016**



<b>Standards/Amendments</b>	<b>Content</b>	<b>Effective for annual periods beginning on or after</b>
IAS 1 Amendments	<i>Disclosure Initiative</i>	1 January 2016
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
IFRS 10 , IFRS 12 and	<i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
IAS 28 Amendments		
IFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016

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**CHINA LIFE INSURANCE COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation (continued)****2.1.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2016 (continued)****Amendments to IAS 1 *Disclosure Initiative***

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1; that specific line items in the statement of comprehensive income and the statement of financial position should be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of other comprehensive income ( OCI ) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The Group's consolidated financial statements have complied with the amendments.

**IAS 27 Amendments *Equity Method in Separate Financial Statements***

The amendments to IAS 27 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group does not elect to change to the equity method in the separate financial statements, and the amendments do not have any impact on the Group's consolidated financial statements.

**IFRS 10, IFRS 12 and IAS 28 Amendments *Investment Entities: Applying the Consolidation Exception***

Amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments to IFRS 10 also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Consequential amendments were made to IFRS 12 to require an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 9 to present the disclosures in respect of investment entities in accordance with IFRS 12. IAS 28 was also amended to allow an investor that is not itself an investment entity, and has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interest in its subsidiaries. The amendments to IFRS 10 and IFRS 12 do not have any material impact on the Group's consolidated financial statements as the Company is not an investment entity as defined in IFRS 10.

The Group applied the amendments to IAS 28 when accounting for associates which are investment entities themselves.

**IFRS 11 Amendments** *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. The amendments are not relevant to the Group, since the Group had no joint operation as at 31 December 2016.

In addition, the *Annual Improvements 2012-2014 Cycle* issued in September 2014 sets out amendments to other standards. These annual improvements were established to make non-urgent but necessary amendments to IFRSs. There are no material changes to the accounting policies of the Group as a result of these annual improvements.

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**CHINA LIFE INSURANCE COMPANY LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation (continued)****2.1.2 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2016**

<b>Standards/Amendments</b>	<b>Content</b>	<b>Effective for annual period beginning on or after</b>
IAS 7 Amendments	<i>Disclosure Initiative</i>	1 January 2017
IAS 12 Amendments	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
IFRS 2 Amendments	<i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 15 Amendments	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
IFRS 4 Amendments	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
IFRS 16	<i>Leases</i>	1 January 2019
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption

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

**IAS 7 Amendments *Disclosure Initiative***

Amendments to IAS 7 *Statement of Cash Flows* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

**IAS 12 Amendments** *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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**CHINA LIFE INSURANCE COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation (continued)****2.1.2 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2016 (continued)****IFRS 2 Amendments** *Classification and Measurement of Share-based Payment Transactions*

In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* that 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 the 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 Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

**IFRS 9** *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 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. The Group is currently assessing the impact of the standard upon adoption, and expects that the adoption of IFRS 9 will have an impact on the classification, measurement and impairment of the Group's financial instruments in the Group's consolidated financial statements.

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is 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 IFRS 15 provide a more structured approach for measuring and recognising 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 standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal-versus-agent consideration, licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. IFRS 15 and the amendments are effective for annual periods beginning on or after 1 January 2018, early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

Given insurance contracts are scoped out of IFRS 15, the Group expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Group does not expect the impact to be significant. The Group is currently assessing the impact on the Group's consolidated financial statements.

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**CHINA LIFE INSURANCE COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation (continued)****2.1.2 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2016 (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 the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options that allow entities issuing contracts within the scope of IFRS 4 for 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 OCI 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 is currently performing an assessment of the amendments to conclude which approach to apply.

**IFRS 16** *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRS Interpretations Committee Interpretation No.4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee ( SIC ) Interpretation No.15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees- leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability 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). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early



application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

**IFRS 10 and IAS 28 Amendments** *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

In addition, the *Annual Improvements 2014-2016 Cycle* issued in December 2016 set out amendments to other standards. There are no material changes to the accounting policies of the Group as a result of these annual improvements.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. Subsidiaries are those entities which are controlled by the Group (including the structured entities controlled by the Group). 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. Specifically, the Group controls an investee if and only if the Group has:

power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

exposure, or rights, to variable returns from its involvement with the investee; and

the ability to use its power over the investee to affect its returns.

When the Group has 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.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

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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 a subsidiary, it:

derecognises the assets (including goodwill) and liabilities of the subsidiary;

derecognises the carrying amount of any non-controlling interests;

derecognises the cumulative translation differences recorded in equity;

recognises the fair value of the consideration received;

recognises the fair value of any investment retained;

recognises any surplus or deficit in profit or loss; and

reclassifies the Group's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as if the Group had directly disposed of the related assets or liabilities.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. 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 value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises 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.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation (continued)**

The excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree, and the fair value of any previous equity interest in the acquiree at the acquisition date over the fair value of the net identifiable assets acquired and liabilities assumed 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 Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed in subsequent periods. Gains or losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold.

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.

**Transactions with non-controlling interests**

The Group treats transactions with non-controlling interests that do not result in loss of controls as equity transactions. For shares purchased from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal of shares to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised 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 recognised in OCI 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 recognised in OCI are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI is reclassified to profit or loss as appropriate.

### **2.3 Associates and joint ventures**

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

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 the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of post-acquisition profit or loss of its associates and joint ventures is recognised in net profit, and its share of post-acquisition movements in OCI is recognised in the consolidated statement of 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 joint venture, including any other unsecured receivables, the Group does not recognise further losses unless it has obligations to make payments on behalf of the associate or joint venture.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 Associates and joint ventures (continued)**

Unrealised 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. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates and joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired associates or joint ventures at the date of acquisition. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures and is tested annually for impairment as part of the overall balance. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired. If this is the case, an impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs of disposal and value in use. The impairment of investments in the associates and joint ventures is reviewed for possible reversal at each reporting date.

The investments in associates and joint ventures are stated at cost less impairment in the Company's statement of financial position. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable.

**2.4 Segment reporting**

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

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 decision and to evaluate the business performance; and iii) the Group can obtain relevant financial information of the segment, including financial condition, operating results, cash flows and other financial performance indicators.

**2.5 Foreign currency translation**

The Company's functional currency is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The reporting currency of the consolidated financial statements of the Group is RMB. Transactions in foreign currencies are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the end of the reporting period. Exchange differences arising in these cases are recognised in net profit.

## **2.6 Property, plant and equipment**

Property, plant and equipment, are stated at historical costs less accumulated depreciation and any accumulated impairment losses, except for those acquired prior to 30 June 2003, which are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after terms of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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**CHINA LIFE INSURANCE COMPANY LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.6 Property, plant and equipment (continued)****Depreciation**

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful lives as follows:

	Estimated useful lives
Buildings	15 to 35 years
Office equipment, furniture and fixtures	3 to 11 years
Motor vehicles	4 to 8 years
Leasehold improvements	Over the shorter of the remaining term of the lease and the useful lives

The residual values, depreciation method and useful lives are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Assets under construction mainly represent buildings under construction, which are stated at cost less any impairment losses and are not depreciated, except for those acquired prior to 30 June 2003, which are stated at deemed cost less any accumulated impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to the appropriate category of property, plant and equipment, investment properties or other assets when completed and ready for use.

**Impairment and gains or losses on disposals**

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in net profit for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in net profit.



## **2.7 Investment properties**

Investment properties are interests in land and buildings that are held to earn rental income and/or for capital appreciation, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful lives. The estimated useful lives of investment properties are 15 to 35 years.

Overseas investment properties that are held by the Group in the forms of property ownership, equity investment, or other forms, have expected useful lives not longer than 50 years, determined based on the usage in their locations.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Financial assets**

**2.8.a Classification**

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

(i) Securities at fair value through profit or loss

This category has two sub-categories: securities held for trading and those designated as at fair value through profit or loss at inception. Securities are classified as held for trading at inception if acquired principally for the purpose of selling in the short term or if they form part of a portfolio of financial assets in which there is evidence of short term profit-taking. The Group may classify other financial assets as at fair value through profit or loss if they meet the criteria in IAS 39 and designated as such at inception.

(ii) Held-to-maturity securities

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

(iii) Loans and receivables

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

(iv) Available-for-sale securities

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

**2.8.b Recognition and measurement**

Purchase and sale of investments are recognised on the trade date, when the Group commits to purchase or sell assets. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Securities at fair value through profit or loss and available-for-sale securities are carried at fair value. Equity investments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are carried at cost, net of allowance for impairments. Held-to-maturity securities are carried at amortised cost using the effective interest method. Investment gains and losses on sales of securities are determined principally by specific identification. Realised and unrealised gains and losses arising from changes in the fair value of the securities at fair value through profit or loss category, and the change of fair value of available-for-sale debt securities due to foreign exchange impact on the amortised cost are included in net profit in the period in which they arise. The remaining unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in OCI. When securities classified as available-for-sale securities are sold or impaired, the accumulated fair value adjustments are included in net profit as realised gains on financial assets.

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

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Financial assets (continued)**

**2.8.b Recognition and measurement (continued)**

Loans are carried at amortised cost, net of allowance for impairment.

The Group purchases securities under agreements to resell substantially identical securities. These agreements are classified as secured loans and are recorded at amortised cost, i.e. their costs plus accrued interests at the end of the reporting period, which approximates fair value. The amounts advanced under these agreements are reflected as assets in the consolidated statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. Sale or transfer of the securities is not permitted by the respective clearing house on which they are registered while the lent money is outstanding. In the event of default by the counterparty, the Group has the right to the underlying securities held by the clearing house.

**2.8.c Impairment of financial assets other than securities 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 impairment, where there are declines in value that are considered to be impairment. In evaluating whether a decline in value is an impairment for these financial assets, the Group considers several factors including, but not limited to, the following:

significant financial difficulty of the issuer or debtor;

a breach of contract, such as a default or delinquency in payments;

it becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganisation; and

the disappearance of an active market for that financial asset because of financial difficulties.

In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. The quantitative factors include the following:

the market price of the equity securities was more than 50% below their cost at the reporting date;

the market price of the equity securities was more than 20% below their cost for a period of at least six months at the reporting date; and

the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

When the decline in value is considered impairment, held-to-maturity debt securities are written down to their present value of estimated future cash flows discounted at the securities' effective interest rates; available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded in net realised gains on financial assets in the period the impairment is recognised. The impairment loss is reversed through 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 recognised through net profit. The impairment losses recognised in net profit on equity instruments are not reversed through net profit.

## **2.9 Fair value measurement**

The Group measures financial instruments, such as securities at fair value through profit or loss and available-for-sale securities, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement of assets and liabilities is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

in the principal market for the asset or liability, or

in the absence of a principal market, in the most advantageous market for the asset or liability.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.9 Fair value measurement (continued)**

The principal or the most advantageous market must be accessible to by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in Notes 4.3, 7 and 10 based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between each level in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**2.10 Cash and cash equivalents**

Cash amounts represent cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of 90 days or less, whose carrying value approximates fair value.

**2.11 Insurance contracts and investment contracts**

**2.11.1 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 contracts. 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. A number of 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, at the discretion of the Group.

## **2.11.2 Insurance contracts**

### **2.11.2.a Recognition and measurement**

#### **(i) 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. Reserves for short duration insurance products consist of unearned premium reserve and expected claims and claim adjustment expenses reserve. Actual claims and claim adjustment expenses are charged to net profit as incurred.

The unearned premium reserve represents the portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage.

Reserves for claims and claim adjustment expenses consist of the reserves for reported and unreported claims and reserves for claim expenses with respect to insured events. In developing these reserves, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the reasonable estimated amount and the applicable margins. The methods used for reported and unreported claims include the case-by-case estimation method, average cost per claim method, chain ladder method, etc. The Group calculates the reserves for claim expenses based on the reasonable estimates of the future payments for claim expenses.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Insurance contracts and investment contracts (continued)**

**2.11.2 Insurance contracts (continued)**

**2.11.2.a Recognition and measurement (continued)**

(ii) Long-term insurance contracts

Long-term insurance contracts include whole life insurance, term life insurance, endowment insurance and annuity policies with significant life contingency risk. Premiums are recognised as revenue when due from policyholders.

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

- (a) The reasonable estimate of liability 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 fulfil contractual obligations, consisting of the following:

guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders;

additional non-guaranteed benefits, such as policyholder dividends; and

reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expenses and claim settlement expenses. Future administration expenses are included in the maintenance expenses. Expenses are determined based on expense analysis with consideration of future inflation and the Group's expense management control.



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

- (b) Margin has been taken into consideration while computing the reserve of insurance contracts, measured separately and recognised in net profit in each period over the life of the contracts. At the inception of the contracts, the Group does not recognise Day 1 gain, whereas on the other hand, Day 1 loss is recognised in net profit immediately.

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. At the inception of the contract, the residual margin is calculated net of certain acquisition costs, mainly consist of underwriting and policy acquisition costs, by the Group representing Day 1 gain and will be amortised over the life of the contracts. For insurance contracts of which future returns are affected by investment yields of corresponding investment portfolios, their related residual margins are amortised based on estimated future participating dividends payable to policyholders. For insurance contracts of which future returns are not affected by investment yields of corresponding investment portfolios, their related residual margins are amortised based on sum assured of outstanding policies. The subsequent measurement of the residual margin is independent from the reasonable estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of the residual margin.

**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Insurance contracts and investment contracts (continued)**

**2.11.2 Insurance contracts (continued)**

**2.11.2.a Recognition and measurement (continued)**

(ii) Long-term insurance contracts (continued)

(c) The Group has considered the impact of time value on the reserve calculation for insurance contracts.

(iii) 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 2.11.3), which are stated in the investment contract liabilities.

**2.11.2.b Liability adequacy test**

The Group assesses the adequacy of insurance contract reserves 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 liabilities (less related intangible assets, if applicable) is inadequate in light of the estimated future cash flows, the insurance contract reserves will be adjusted accordingly, and any changes of the insurance contract liabilities will be recognised in net profit.

**2.11.2.c Reinsurance contracts held**

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

The benefits to which the Group is entitled under its reinsurance contracts held are recognised 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 recognised as expenses when due.

The Group assesses its reinsurance assets for impairment as at the end of 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 recognises that impairment loss in net profit.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Insurance contracts and investment contracts (continued)**

**2.11.3 Investment contracts**

Revenue from investment contracts with or without DPF is recognised as policy fee income, which consists of various fee incomes (policy fees, handling fees and management fees, etc.) during the period. Policy fee income net of acquisition cost is deferred as unearned revenue and amortised over the expected life of the contracts.

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

**2.11.4 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 the policyholders of participating contracts as a group at the higher of 70% of accumulated surplus available and the rate specified in the contracts. The accumulated surplus available mainly arises from net investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealised gains or losses from available-for-sale securities are attributable to policyholders, shadow adjustments are recognised in OCI. The surplus owed to policyholders is recognised as policyholder dividend payable whether it is declared or not. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

**2.12 Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are the portions owned by the external investors in the consolidated structured entities (open-ended funds). Such financial liabilities are designated at fair value upon initial recognition, and all realised or unrealised gains or losses are recognised in net profit.

**2.13 Securities sold under agreements to repurchase**

The Group retains substantially all the risk and rewards of ownership of securities sold under agreements to repurchase which generally mature within 180 days from the transaction date. Therefore securities sold under agreements to repurchase are classified as secured borrowings. The Group may be required to provide additional collateral based on the fair value of the underlying securities. Securities sold under agreements to repurchase are recorded at amortised cost, i.e. their cost plus accrued interest at the end of the reporting period. It is the Group's policy to maintain effective control over securities sold under agreements to repurchase which includes maintaining physical

possession of the securities. Accordingly, such securities continue to be carried on the consolidated statement of financial position.

#### **2.14 Bonds payable**

Bonds payable primarily include subordinated debts. Subordinated debts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at acquisition and transaction costs.

#### **2.15 Derivative instruments**

Derivatives are initially recognised 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 recognised in net profit. Fair values are obtained from quoted market prices in active market, taking into consideration of recent market transactions or valuation techniques, including discounted cash flow models and option pricing models, as appropriate. 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).

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.16 Employee benefits**

*Pension benefits*

Full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. These government agencies are responsible for the pension liability to these employees upon retirement. The Group contributes on a monthly basis to these pension plans. In addition to the government-sponsored pension plans, the Group established an employee annuity fund pursuant to the relevant laws and regulations in the PRC, whereby the Group is required to contribute to the schemes at fixed rates of the employees' salary costs. Contributions to these plans are expensed as incurred. Under these plans, the Group has no legal or constructive obligation for retirement benefit beyond the contributions made.

*Housing benefits*

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

*Stock appreciation rights*

Compensation under the stock appreciation rights is measured based on the fair value of the liabilities incurred and is expensed over the vesting period. Valuation techniques including option pricing models are used to estimate fair value of relevant liabilities. The liability is re-measured at the end of each reporting period to its fair value until settlement. Fair value changes in the vesting period is included in administrative expenses and changes after the vesting period is included in net fair value gains/(losses) through profit or loss in net profit. The related liability is included in other liabilities.

**2.17 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

**2.18 Other equity instruments**

Other equity instruments are Core Tier 2 Capital Securities issued by the Group. These securities contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or to be settled in the Group's own equity instruments. Therefore, the Group classifies these securities as other equity instruments. Fees, commissions and

other transaction costs of these securities issuance are deducted from equity. The distributions of the securities are recognised as profit distribution at the time of declaration.

## **2.19 Revenue recognition**

Turnover of the Group represents the total revenues which include the following:

### *Premiums*

Premiums from long-term insurance contracts are recognised as revenue when due from the policyholders.

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.

### *Policy fee income*

Revenue from investment contracts is recognised as policy fee income, which consists of various fee incomes (policy fees, handling fees and management fees, etc.) over the period of which the service is provided. Policy fee income net of certain acquisition costs is deferred as unearned revenue and amortised over the expected life of the contracts. Policy fee income is recognised in revenue as part of other income.

### *Investment income*

Investment income comprises interest income from term deposits, cash and cash equivalents, debt securities, securities purchased under agreements to resell, loans and dividend income from equity securities. Interest income is recorded on an accrual basis using the effective interest rate method. Dividend income is recognised when the right to receive dividend payment is established.

**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.20 Finance costs**

Interest expenses for bonds payable, securities sold under agreements to repurchase and interest-bearing loans and borrowings are recognised within finance costs in net profit using the effective interest rate method.

**2.21 Current and deferred income taxation**

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in net profit, except to the extent that it relates to items recognised directly in OCI where the income tax is recognised in OCI.

Current income tax assets and liabilities for the current period are calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Substantively enacted tax rates are used in the determination of deferred income tax.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed 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 utilised. Conversely, previously unrecognised deferred tax assets are reassessed by the end of each reporting period and are recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



**2.22 Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor company are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognised as a reduction in rental expenses over the lease terms on the straight-line basis.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.23 Provisions and contingencies**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised 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 recognised in the consolidated 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 such outflow is probable and can be reliably measured, it will then be recognised as a provision.

**2.24 Dividend distribution**

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's equity holders.

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group exercises significant judgement in making appropriate assumptions.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be different from the estimates and judgements referred to below.

**3.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts**

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

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payments, premiums and relevant expenses is reflected in the risk margin.

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

The judgements exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities.

The impact of the various assumptions and their changes are described in Note 14.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**3.2 Financial instruments**

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

The Group considers a wide range of factors in the impairment assessment as described in Note 2.8.c.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques which require a degree of judgements. The methods and assumptions used by the Group in measuring the fair value of financial instruments are as follows:

debt securities: fair values are generally based upon current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions, values obtained from current bid prices of comparable investments or valuation techniques when the market is not active.

equity securities: fair values are generally based upon current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions or commonly used market pricing models. Equity securities, for which fair values cannot be measured reliably, are recognised at cost less impairment.

securities purchased under agreements to resell, policy loans, term deposits, interest-bearing loans and borrowings, and securities sold under agreements to repurchase: the carrying amounts of these assets in the consolidated statement of financial position approximate fair value.

Fair value of other Loans are obtained from valuation techniques.

For the description of valuation techniques, please refer to Note 4.3. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

**3.3 The fair value of identifiable intangible assets arising from acquisition**

When the Group performed a purchase price allocation exercise of the investment in China Guangfa Bank Co., Ltd. ( CGB ) (refer to Note 8), the fair value of the identifiable net assets of CGB should be evaluated. Identifiable intangible assets arising from the acquisition are mainly the core deposit intangibles and the credit card client relationship, and the valuation of the fair value involved complex assumptions. The Group applied the appropriate methodology to estimate the core deposit intangibles and the credit card client relationship. The Group estimated the future cash flow data based on the historical business data of CGB and chose the appropriate discount rate to determine the discount rate of present value of future cash flows.

### **3.4 Impairment of investments in associates and joint ventures**

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments in associates and joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of investments in associates and joint ventures. When value in use calculations are undertaken, the Group must estimate the expected future cash flows from investments in associates and joint ventures and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 8.

### **3.5 Income tax**

The Group is subject to income tax in numerous jurisdictions. During the normal course of business, certain transactions and activities for which the ultimate tax determination is uncertain, the Group needs to exercise significant judgement when determining the income tax. If the final settlement results of the tax matters are different from the amounts recorded, these differences will impact the final income tax expense and deferred tax for the period.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**3.6 Determination of control over investee**

The Group applies its judgment to determine whether the control indicators set out in Note 2.2 indicate that the Group controls structured entities such as funds and asset management products.

The Group issues certain structured entities (e.g. funds and asset management plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2016, the Group has consolidated some fund products issued and managed by the Company's subsidiary, China Life AMP Asset Management Company ( CL AMP ), an asset management plan issued and managed by the Company's subsidiary, China Life Wealth Management Co., Limited ( CL Wealth ) and some trust schemes issued and managed by third parties in the consolidated financial statements.

**4 RISK MANAGEMENT**

Risk management is carried out by the Company's Risk Management Committee under policies approved by the Company's Board of Directors.

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

**4.1 Insurance risk**

**4.1.1 Types of insurance risks**

The risk under any one insurance contract is the possibility that an insured event occurs and the 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 the pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments are less favourable than the underlying assumptions used in establishing the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insurance 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 smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the types of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Group manages insurance risk through underwriting strategies, reinsurance arrangements and claims handling.

The Group manages insurance risks through two types of reinsurance agreements, ceding on a quota share basis or a surplus basis, to cover insurance liability risk. Reinsurance contracts cover almost all products, which contain risk liabilities. The products reinsured include: life insurance, accident and health insurance or death, disability, accident, illness and assistance in terms of product category or function, respectively. These reinsurance agreements spread insured risk to a certain extent and reduce the effect of potential losses to the Group. However, the Group's direct insurance liabilities to the policyholder are not eliminated because of the credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

#### **4.1.2 Concentration of insurance risks**

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

## CHINA LIFE INSURANCE COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016

## 4 RISK MANAGEMENT (continued)

## 4.1 Insurance risk (continued)

## 4.1.2 Concentration of insurance risks (continued)

The table below presents the Group's major products of long-term insurance contracts:

Product name	For the year ended 31 December			
	2016 RMB million	%	2015 RMB million	%
<b>Premiums of long-term insurance contracts</b>				
New Xin Feng Endowment (Type A) (a)	38,059	9.75%	38,314	11.55%
Xin Annuity (b)	30,944	7.93%	35,606	10.74%
Xin Fu Nian Nian Annuity (c)	29,739	7.62%	888	0.27%
Kang Ning Whole Life (d)	22,420	5.74%	23,508	7.09%
Hong Ying Participating Endowment (e)	4,968	1.27%	7,388	2.23%
Others (f)	264,308	67.69%	225,878	68.12%
<b>Total</b>	<b>390,438</b>	<b>100.00%</b>	<b>331,582</b>	<b>100.00%</b>
<b>Insurance benefits of long-term insurance contracts</b>				
New Xin Feng Endowment (Type A) (a)	67	0.04%	80	0.07%
Xin Annuity (b)	132	0.07%	13	0.01%
Xin Fu Nian Nian Annuity (c)	5,366	2.98%	120	0.10%
Kang Ning Whole Life (d)	3,949	2.20%	3,692	3.20%
Hong Ying Participating Endowment (e)	73,261	40.72%	499	0.43%
Others (f)	97,127	53.99%	110,873	96.19%
<b>Total</b>	<b>179,902</b>	<b>100.00%</b>	<b>115,277</b>	<b>100.00%</b>
	As at 31 December 2016		As at 31 December 2015	
	RMB million	%	RMB million	%



<b>Liabilities of long-term insurance contracts</b>				
New Xin Feng Endowment (Type A) (a)	<b>43,794</b>	<b>2.40%</b>	43,788	2.58%
Xin Annuity (b)	<b>69,846</b>	<b>3.83%</b>	38,917	2.29%
Xin Fu Nian Nian Annuity (c)	<b>13,300</b>	<b>0.73%</b>	429	0.03%
Kang Ning Whole Life (d)	<b>244,112</b>	<b>13.37%</b>	214,120	12.60%
Hong Ying Participating Endowment (e)	<b>117,946</b>	<b>6.46%</b>	187,781	11.05%
Others (f)	<b>1,336,958</b>	<b>73.21%</b>	1,213,738	71.45%
<b>Total</b>	<b>1,825,956</b>	<b>100.00%</b>	1,698,773	100.00%

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 RISK MANAGEMENT (continued)**

**4.1 Insurance risk (continued)**

**4.1.2 Concentration of insurance risks (continued)**

- (a) New Xin Feng is an endowment insurance contract with single premium. Its insured period is 5 years. This product is applicable to healthy policyholders between 18-year-old and 70-year-old. Both maturity and death benefits are paid at the basic sum insured. Accident death benefit is paid at 300% of the basic sum insured.
- (b) Xin Annuity is an annuity insurance contract with single premium. Its insured period is 10 years. This product is applicable to healthy policyholders between 28-day-old and 65-year-old. Annuity is paid at the basic sum insured. Maturity benefit is paid at the premium received (without interest). Death benefit is paid at the premium received (without interest) or the cash value of the insurance contract, whichever greater.
- (c) Xin Fu Nian Nian Annuity is an annuity insurance contract with regular premium of 3 years, 5 years or 10 years and it is sold with Xin Fu Nian Nian Pension Annuity as a product portfolio. Its insured period extends from the effective date of the Xin Fu Nian Nian Annuity to the contractual date starting to claim of Xin Fu Nian Nian Pension Annuity. This product is applicable to healthy policyholders between 28-day-old and 65-year-old. The annuity payment of first policy year is paid at 12% of the first premium of Xin Fu Nian Nian Annuity and Xin Fu Nian Nian Pension Annuity, the following annuity payments are paid at 15% of the basic sum insured by Xin Fu Nian Nian Annuity; maturity benefit is paid at the premium received (without interest) of Xin Fu Nian Nian Annuity; death benefit is paid at the premium received (without interest) of Xin Fu Nian Nian Annuity or the cash value of Xin Fu Nian Nian Pension Annuity, whichever greater.
- (d) Kang Ning is a whole life insurance contract with the options for single premium or regular premium of 10 years or 20 years. This product is applicable to healthy policyholders under 70-year-old. The critical illness benefit is paid at 200% of the basic sum insured. Both death and disability benefits are paid at 300% of the basic sum insured less any critical illness benefits paid.
- (e) Hong Ying is a participating endowment insurance contract with the options for single premium or regular premium of 3 years, 5 years or 10 years. Its insured period can be 6 years, 10 years or 15 years.

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This product is applicable to healthy policyholders between 30-day-old and 70-year-old. Maturity benefit of a single premium policy is paid at the basic sum insured, while that of a regular premium policy is paid at the basic sum insured multiplied by the number of years of the premium payments. Disease death benefit incurred within the first policy year is paid at the premium received (without interest). Disease death benefit incurred after the first policy year is paid at the basic sum insured for a single premium policy or the basic sum insured multiplied by the number of years of premium payments for a regular premium policy. When accidents occurred during taking a train, a ship or a flight period, death benefit is paid at 300% of the basic sum insured for a single premium policy or 300% of the basic sum insured multiplied by the number of years of premium payments for a regular premium policy. When accidents occurred out of the period of taking a train, a ship or a flight, death benefit is paid at 200% of the basic sum insured for a single premium policy or 200% of the basic sum insured multiplied by the number of years of premium payments for a regular premium policy.

- (f) Others consist of various long-term insurance contracts with no significant concentration.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 RISK MANAGEMENT (continued)**

**4.1 Insurance risk (continued)**

**4.1.3 Sensitivity analysis**

**Sensitivity analysis of long-term insurance contracts**

Liabilities for long-term insurance contracts and liabilities unbundled from universal life insurance contracts and unit-linked insurance contracts with insurance risk are calculated based on the assumptions on mortality rates, morbidity rates, lapse rates and discount rates. Changes in insurance contract reserve assumptions reflect the Company's actual operating results and changes in its expectation of future events. The Company considers the potential impact of future risk factors on its operating results and incorporates such potential impact in the determination of assumptions.

Holding all other variables constant, if mortality rates and morbidity rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB16,746 million or RMB17,492 million (as at 31 December 2015: RMB14,597 million or RMB15,253 million) lower or higher, respectively.

Holding all other variables constant, if lapse rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB2,823 million or RMB2,953 million (as at 31 December 2015: RMB4,032 million or RMB4,229 million) lower or higher, respectively.

Holding all other variables constant, if the discount rates were 50 basis points higher or lower than the current best estimate, pre-tax profit for the year would have been RMB57,591 million or RMB65,427 million (as at 31 December 2015: RMB45,811 million or RMB52,049 million) higher or lower, respectively.

**Sensitivity analysis of short-term insurance contracts**

The assumptions of reserves for claims and claim adjustment expenses may be affected by other variables such as claims payment of short-term insurance contracts, which may result in the synchronous changes to reserves for claims and claim adjustment expenses.

Holding all other variables constant, if claim ratios are 100 basis points higher or lower than the current assumption, pre-tax profit is expected to be RMB372 million (as at 31 December 2015: RMB315 million) lower or higher, respectively.

The following table indicates the claim development for short-term insurance contracts without taking into account the impacts of ceded business:

<b>Estimated claims expenses</b>	<b>Short-term insurance contracts (accident year)</b>					<b>Total</b>
	2012	2013	2014	2015	<b>2016</b>	
Current year	8,056	11,476	16,499	20,497	<b>27,120</b>	
1 year later	8,164	11,872	17,265	21,427		
2 years later	8,123	11,775	16,726			
3 years later	8,123	11,775				
4 years later	8,123					
Estimated accumulated claims expenses	8,123	11,775	16,726	21,427	<b>27,120</b>	<b>85,171</b>
Accumulated claims expenses paid	(8,123)	(11,775)	(16,726)	(20,645)	<b>(16,364)</b>	<b>(73,633)</b>
Unpaid claims expenses				782	<b>10,756</b>	<b>11,538</b>

**CHINA LIFE INSURANCE COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4 RISK MANAGEMENT (continued)****4.1 Insurance risk (continued)****4.1.3 Sensitivity analysis (continued)**

The following table indicates the claim development for short-term insurance contracts taking into account the impacts of ceded business:

<b>Estimated claims expenses</b>	<b>Short-term insurance contracts (accident year)</b>					<b>Total</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	
Current year	7,916	11,331	16,379	20,359	<b>26,897</b>	
1 year later	8,035	11,743	17,127	21,262		
2 years later	7,997	11,645	16,589			
3 years later	7,997	11,645				
4 years later	7,997					
Estimated accumulated claims expenses	7,997	11,645	16,589	21,262	<b>26,897</b>	<b>84,390</b>
Accumulated claims expenses paid	(7,997)	(11,645)	(16,589)	(20,487)	<b>(16,237)</b>	<b>(72,955)</b>
Unpaid claims expenses				775	<b>10,660</b>	<b>11,435</b>

**4.2 Financial risk**

The Group's activities are exposed to a variety of financial risks. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the 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 minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a designated department under policies approved by management. The responsible department identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as managing market risk, credit risk, and liquidity risk.

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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 investment portfolio held by the Group is disclosed in Note 9.

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, such as change in interest rate and change in market price.

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**CHINA LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4 RISK MANAGEMENT (continued)**

**4.2 Financial risk (continued)**

**4.2.1 Market risk**

**(i) Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets are principally composed of term deposits, debt securities and loans which are exposed to interest rate risk. Changes in the level of interest rates could 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 interest rate risk through adjustments to portfolio structure and duration, 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 end of the reporting period.

As at 31 December 2016, if market interest rates were 50 basis points higher or lower with all other variables held constant, pre-tax profit for the year would have been RMB160 million (as at 31 December 2015: RMB416 million) higher or lower, respectively, mainly as a result of higher or lower interest income on floating rate cash and cash equivalents, term deposits, statutory deposits restricted, debt securities and loans and the fair value losses or gains on debt securities assets at fair value through profit or loss. Pre-tax available-for-sale reserve in equity would have been RMB6,948 million (as at 31 December 2015: RMB6,928 million) lower or higher respectively, as a result of a decrease or increase in the fair value of available-for-sale securities.

**(ii) Price risk**

Price risk arises mainly from the volatility of prices of equity securities held by the Group. Prices of equity securities are determined by market forces. The Group is subject to increased price risk largely because China'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.



As at 31 December 2016, if all the Group's equity securities prices had increased or decreased by 10% with all other variables held constant, pre-tax profit for the year would have been RMB3,263 million or RMB3,400 million (as at 31 December 2015: RMB2,248 million or RMB2,248 million) higher or lower, respectively, mainly as a result of an increase or decrease in fair value of equity securities excluding available-for-sale securities. Pre-tax available-for-sale reserve in equity would have been RMB24,999 million or RMB28,153 million (as at 31 December 2015: RMB22,999 million or RMB22,999 million) higher or lower, respectively, as a result of an increase or decrease in fair value of available-for-sale equity securities. If prices decreased to the extent that the impairment criteria were met, a portion of such decrease of the available-for-sale equity securities would reduce pre-tax profit through impairment.

**(iii) Currency risk**

Currency risk is the volatility of fair value or future cash flows of financial instruments resulted from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments, equity investments, interest-bearing loans and borrowings denominated in currencies other than the functional currency, such as US dollar, HK dollar, GB pound and EUR, etc.

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**CHINA LIFE INSURANCE COMPANY LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4 RISK MANAGEMENT (continued)****4.2 Financial risk (continued)****4.2.1 Market risk (continued)****(iii) Currency risk (continued)**

The following table summarises financial assets and financial liabilities denominated in currencies other than RMB as at 31 December 2016 and 2015, expressed in RMB equivalent:

<b>As at 31 December 2016</b>	<b>US dollar</b>	<b>HK dollar</b>	<b>GB pound</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
<b>Financial assets</b>						
Equity securities						
- Available-for-sale securities	<b>6,968</b>	<b>12,791</b>				