

CHINA LIFE INSURANCE CO LTD

Form 20-F

April 26, 2011

**Table of Contents**

As filed with the Securities and Exchange Commission on April 26, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
**OR**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2010**  
**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**  
**OR**

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report \_\_\_\_\_**

**Commission file number 001-31914**

(Exact name of Registrant as specified in its charter)

**China Life Insurance Company Limited**

(Translation of Registrant's name into English)

**People's Republic of China**

(Jurisdiction of incorporation or organization)

16 Financial Street

Xicheng District

Beijing 100033, China

(Address of principal executive offices)

Yinghui Li

16 Financial Street

Xicheng District

Beijing 100033, China

Tel: (86-10) 6363-1191

Fax: (86-10) 6657-5112

Email: liyh@e-chinalife.com

(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American depository shares H shares, par value RMB1.00 per share	New York Stock Exchange New York Stock Exchange*

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depository shares, each representing 15 H shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2010, 7,441,175,000 H shares and 20,823,530,000 A shares, par value RMB1.00 per share, were issued and outstanding. H shares are listed on the Hong Kong Stock Exchange. A shares are listed on the Shanghai Stock Exchange. Both H shares and A shares are ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual report or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S.GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Others

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
TABLE OF CONTENTS**

<b><u>FORWARD-LOOKING STATEMENTS</u></b>	<b>1</b>
<b><u>CERTAIN TERMS AND CONVENTIONS</u></b>	<b>2</b>
<b><u>PRESENTATION OF FINANCIAL INFORMATION</u></b>	<b>4</b>
<b><u>PART I</u></b>	<b>5</b>
<u>Item 1. Identity Of Directors, Senior Management and Advisers</u>	5
<u>Item 2. Offer Statistics and Expected Timetable</u>	5
<u>Item 3. Key Information</u>	5
<u>A. Selected Financial Data</u>	5
<u>B. Capitalization and Indebtedness</u>	9
<u>C. Reasons for the Offer and Use of Proceeds</u>	9
<u>D. Risk Factors</u>	9
<u>Item 4. Information on the Company</u>	25
<u>A. History and Development of the Company</u>	25
<u>B. Business Overview</u>	28
<u>C. Organizational Structure</u>	69
<u>D. Property, Plants and Equipment</u>	71
<u>Item 4A. Unresolved Staff Comments</u>	71
<u>Item 5. Operating and Financial Review and Prospects</u>	71
<u>A. Operating Results</u>	86
<u>B. Liquidity and Capital Resources</u>	101
<u>C. Research and Development, Patents and Licenses</u>	104
<u>D. Trend Information</u>	104
<u>E. Off-Balance Sheet Arrangements</u>	104

<u>F. Tabular Disclosure of Contractual Obligations</u>	104
<u>Item 6. Directors, Senior Management and Employees</u>	105
<u>A. Directors and Senior Management</u>	105
<u>B. Compensation</u>	110
<u>C. Board Practices</u>	112
<u>D. Employees</u>	113
<u>E. Share Ownership</u>	113
<u>Item 7. Major Shareholders and Related Party Transactions</u>	113
<u>A. Major Shareholders</u>	113
<u>B. Related Party Transactions</u>	114
<u>C. Interests of Experts and Counsel</u>	118
<u>Item 8. Financial Information</u>	118
<u>A. Consolidated Financial Statements and Other Financial Information</u>	118
<u>B. Significant Changes</u>	120
<u>C. Embedded Value</u>	120
<u>Item 9. The Offer and Listing</u>	125
<u>Item 10. Additional Information</u>	126
<u>A. Share Capital</u>	126
<u>B. Articles of Association</u>	126
<u>C. Material Contracts</u>	141

**Table of Contents**

<u>D. Exchange Controls</u>	142
<u>E. Taxation</u>	142
<u>F. Dividends and Paying Agents</u>	150
<u>G. Statement by Experts</u>	150
<u>H. Documents on Display</u>	150
<u>I. Subsidiary Information</u>	151
<u>Item 11. Quantitative and Qualitative Disclosures about Market Risk</u>	151
<u>Item 12. Description of Securities Other Than Equity Securities</u>	158
<u>A. Debt Securities</u>	158
<u>B. Warrants and Rights</u>	158
<u>C. Other Securities</u>	158
<u>D. American Depositary Shares</u>	158
<b><u>PART II</u></b>	<b>160</b>
<u>Item 13. Defaults, Dividend Arrearages and Delinquencies</u>	160
<u>Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	160
<u>A. Material Modification To The Rights Of Security Holders</u>	160
<u>B. Use of Proceeds</u>	160
<u>Item 15. Controls and Procedures</u>	160
<u>Item 16A. Audit Committee Financial Expert</u>	161
<u>Item 16B. Code of Ethics</u>	161
<u>Item 16C. Principal Accountant Fees and Services</u>	162
<u>Item 16D. Exemptions from the Listing Standards for Audit Committees</u>	162
<u>Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	162
<u>Item 16F. Change in Registrant's Certifying Accountant</u>	162

<u>Item 16G. Corporate Governance</u>	162
<b><u>PART III</u></b>	<b>165</b>
<u>Item 17. Financial Statements</u>	165
<u>Item 18. Financial Statements</u>	165
<u>Item 19. Exhibits</u>	165
<u>Exhibit 1.1</u>	
<u>Exhibit 4.4</u>	
<u>Exhibit 8.1</u>	
<u>Exhibit 12.1</u>	
<u>Exhibit 12.2</u>	
<u>Exhibit 13.1</u>	

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This annual report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements state our intentions, beliefs, expectations or predictions for the future, in particular under Item 4. Information on the Company , Item 5. Operating and Financial Review and Prospects and Item 8. Financial Information Embedded Value .

The forward-looking statements include, without limitation, statements relating to:

- future developments in the insurance industry in China;
- the industry regulatory environment as well as the industry outlook generally;
- the amount and nature of, and potential for, future development of our business;
- the outcome of litigation and regulatory proceedings that we currently face or may face in the future;
- our business strategy and plan of operations;
- the prospective financial information regarding our business;
- our dividend policy; and
- information regarding our embedded value.

In some cases, we use words such as believe , intend , anticipate , estimate , project , forecast , plan , potential , should and expect and similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this annual report, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements.

Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under Item 3. Key Information Risk Factors and elsewhere in this annual report, including in conjunction with the forward-looking statements included in this annual report. We undertake no obligation to publicly update or revise any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise, except as required by law. All forward-looking statements contained in this annual report are qualified by reference to this cautionary statement.



**Table of Contents**

**CERTAIN TERMS AND CONVENTIONS**

References in this annual report to we , us , our , the Company or China Life mean China Life Insurance Company Limited and, as the context may require, its subsidiaries. References to CLIC mean China Life Insurance (Group) Company and, as the context may require, its subsidiaries, other than China Life. References in this annual report to

AMC mean China Life Asset Management Company Limited, the asset management joint venture established by us with CLIC on November 23, 2003. References to CLPCIC mean China Life Property and Casualty Insurance Company Limited, the property and casualty joint venture established by us with CLIC on December 30, 2006. References to China Life Pension mean China Life Pension Company Limited established by us, CLIC and AMC on January 15, 2007.

The statistical and market share information contained in this annual report has been derived from government sources, including the China Insurance Yearbook 2008, the China Insurance Yearbook 2009, the China Insurance Yearbook 2010 and other public sources. The information has not been verified by us independently. Unless otherwise indicated, market share information set forth in this annual report is based on premium information as reported by the CIRC. The reported information includes premium information that is not determined in accordance with HKFRS, U.S. GAAP or IFRS.

References to A shares mean the RMB ordinary shares which have been listed on the Shanghai Stock Exchange since January 9, 2007.

References to China or PRC mean the People's Republic of China, excluding, for purposes of this annual report, Hong Kong, Macau and Taiwan. References to the central government mean the government of the PRC. References to State Council mean the State Council of the PRC. References to the CIRC mean the China Insurance Regulatory Commission. References to MOF or Ministry of Finance mean the Ministry of Finance of the PRC. References to Ministry of Commerce mean the Ministry of Commerce of the PRC. References to CSRC mean the China Securities Regulatory Commission. References to CBRC mean the China Banking Regulatory Commission. References to PBOC mean the People's Bank of China. References to SAFE mean the State Administration of Foreign Exchange of the PRC. References to SAIC mean the State Administration for Industry and Commerce of the PRC.

References to HKSE or Hong Kong Stock Exchange mean The Stock Exchange of Hong Kong Limited. References to NYSE or New York Stock Exchange mean the New York Stock Exchange. References to SSE or Shanghai Stock Exchange mean the Shanghai Stock Exchange.

References to IFRS mean the International Financial Reporting Standards as issued by the International Accounting Standards Board, references to U.S. GAAP mean the generally accepted accounting principles in the United States, references to HKFRS mean the Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants, and references to PRC GAAP mean the PRC Accounting Standards for Business Enterprises (2006) applicable to companies listed in the PRC. Unless otherwise indicated, our financial information presented in this annual report has been prepared in accordance with IFRS.

References to Renminbi or RMB in this annual report mean the currency of the PRC, references to U.S. dollars or US\$ mean the currency of the United States of America, and references to Hong Kong dollars , H.K. dollars or HK\$ mean the currency of the Hong Kong Special Administrative Region of the PRC.

**Table of Contents**

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 6.6000, 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 31, 2010. No representation is made that Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate on December 31, 2010 or at all.

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.

**Table of Contents**

**PRESENTATION OF FINANCIAL INFORMATION**

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. We first adopted IFRS for our annual consolidated financial statements for the year ended December 31, 2009. Until and including our financial statements included in our annual reports on Form 20-F for the year ended December 31, 2008, we prepared our consolidated financial statements in accordance with HKFRS, with reconciliations to U.S. GAAP.

As required by First Time Adoption of International Financial Reporting Standards, or IFRS 1, financial results of the year ended December 31, 2008 included herein have been adjusted in accordance with IFRS and differ from the results reported previously.

**Table of Contents**

**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.

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. Until and including our financial statements included in our annual reports on Form 20-F for the year ended December 31, 2008, we prepared our consolidated financial statements in accordance with HKFRS, with reconciliations to U.S. GAAP. As required by IFRS 1, financial results of the year ended December 31, 2008 included herein have been adjusted in accordance with IFRS and differ from the results reported previously. See Item 5. Operating and Financial Review and Prospects .

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 report.

**Table of Contents**

<b>IFRS</b>	<b>For the year ended December 31,</b>			
	<b>2008 RMB</b>	<b>2009 RMB</b>	<b>2010 RMB</b>	<b>2010 US\$</b>
<b>Consolidated Statement of Comprehensive Income</b>	<i>(in millions except for per share data)</i>			
<b>Revenues</b>				
Gross written premiums	265,656	275,970	318,229	48,217
Less: premiums ceded to reinsurers	(156)	(158)	(177)	(27)
Net written premiums	265,500	275,812	318,052	48,190
Net change in unearned premium reserves	(323)	(735)	36	5
Net premiums earned	265,177	275,077	318,088	48,195
Investment income	44,946	38,890	48,872	7,405
Net realized gains/(losses) on financial assets	(5,964)	21,244	15,841	2,400
Net fair value gains/(losses) through income	(7,194)	1,449	280	42
Other income	3,420	2,630	2,757	418
<b>Total revenues</b>	<b>300,385</b>	<b>339,290</b>	<b>385,838</b>	<b>58,460</b>
<b>Benefits, claims and expenses</b>				
Insurance benefits and claims				
Life insurance death and other benefits	(89,659)	(74,858)	(71,237)	(10,793)
Accident and health claims and claim adjustment expenses	(7,641)	(7,808)	(8,740)	(1,324)
Increase in insurance contracts liabilities	(134,649)	(154,372)	(199,655)	(30,251)
Investment contract benefits	(1,931)	(2,142)	(1,950)	(295)
Policyholder dividends resulting from participation in profits	(1,671)	(14,487)	(13,224)	(2,004)
Underwriting and policy acquisition costs	(24,200)	(22,936)	(27,256)	(4,130)
Administrative expenses	(16,652)	(18,719)	(20,285)	(3,073)
Other operating expenses	(3,409)	(2,390)	(3,655)	(554)
Statutory insurance fund contribution	(558)	(537)	(599)	(91)
<b>Total benefits, claims and expenses</b>	<b>(280,370)</b>	<b>(298,249)</b>	<b>(346,601)</b>	<b>(52,515)</b>
Share of results of associates	(56)	704	1,771	268
<b>Profit before income tax</b>	<b>19,959</b>	<b>41,745</b>	<b>41,008</b>	<b>6,213</b>
Income tax	(685)	(8,709)	(7,197)	(1,090)
<b>Net profit</b>	<b>19,274</b>	<b>33,036</b>	<b>33,811</b>	<b>5,123</b>
Attributable to:				
- Equity holders of the Company	19,137	32,881	33,626	5,095
- Non-controlling interests	137	155	185	28

<b>Basic and diluted earnings per share<sup>(1)</sup></b>	0.68	1.16	1.19	0.18
<b>Other comprehensive income/(loss)</b>				
Fair value (losses)/gains on available-for-sale securities	(61,622)	39,470	(13,666)	(2,071)
Amount transferred to net profit from other comprehensive income	4,878	(21,040)	(15,763)	(2,388)
Portion of fair value (losses)/gains on available-for-sale securities attributable to participating policyholders	11,702	(3,999)	7,983	1,210
Share of other comprehensive income/(loss) of associates	291	(70)	(131)	(20)
Others	(3)		(1)	(0.15)
Income tax relating to components of other comprehensive income/(loss)	11,260	(3,607)	5,362	812
<b>Other comprehensive income/(loss) for the year</b>	(33,494)	10,754	(16,216)	(2,457)
<b>Total comprehensive income/(loss) for the year</b>	(14,220)	43,790	17,595	2,666
Attributable to				
- Equity holders of the Company	(14,316)	43,626	17,423	2,640
- Non-controlling interests	96	164	172	26

(1) Numbers for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 are based on the weighted average number of 28,264,705,000 shares in issue during such years.

**Table of Contents**

IFRS	2008 RMB	As of December 31,		2010 US\$
		2009 RMB	2010 RMB	
<b>Consolidated Statement of Financial Position</b>				
<b>Assets</b>				
Property, plant and equipment	16,720	17,467	18,946	2,871
Investments in associates	7,891	8,470	20,892	3,165
Held-to-maturity securities	211,929	235,099	246,227	37,307
Loans	17,926	23,081	36,543	5,537
Term deposits	228,272	344,983	441,585	66,907
Statutory deposits-restricted	6,153	6,153	6,153	932
Available-for-sale securities	424,939	517,499	548,121	83,049
Securities at fair value through income	14,099	9,133	9,762	1,479
Accrued investment income	13,149	14,208	18,193	2,757
Premiums receivable	6,433	6,818	7,274	1,102
Reinsurance assets	940	832	830	126
Other assets	4,957	6,317	8,199	1,242
Cash and cash equivalents	34,085	36,197	47,854	7,251
<b>Total assets</b>	<b>987,493</b>	<b>1,226,257</b>	<b>1,410,579</b>	<b>213,724</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Insurance contracts	662,865	818,164	1,018,135	154,263
Investment contracts	65,063	67,326	70,171	10,632
Securities sold under agreements to repurchase	11,390	33,553	23,065	3,495
Policyholder dividends payable	43,178	54,587	52,828	8,004
Annuity and other insurance balances payable	4,980	5,721	8,275	1,254
Premiums received in advance	1,811	1,804	1,880	285
Other liabilities	11,057	11,978	13,746	2,083
Deferred tax liabilities	10,344	16,361	11,776	1,784
Current income tax liabilities	1,668	3,850	34	5
Statutory insurance fund	266	137	194	29
<b>Total liabilities</b>	<b>812,622</b>	<b>1,013,481</b>	<b>1,200,104</b>	<b>181,834</b>
<b>Equity</b>				
Share capital	28,265	28,265	28,265	4,283
Reserves	84,447	102,787	100,512	15,229
Retained earnings	61,235	80,020	79,933	12,111
<b>Attributable to equity holders of the Company</b>	<b>173,947</b>	<b>211,072</b>	<b>208,710</b>	<b>31,623</b>

<b>Non-controlling interests</b>	924	1,704	1,765	267
<b>Total equity</b>	<b>174,871</b>	<b>212,776</b>	<b>210,475</b>	<b>31,890</b>
<b>Total liabilities and equity</b>	<b>987,493</b>	<b>1,226,257</b>	<b>1,410,579</b>	<b>213,724</b>

7

---



**Table of Contents**

**Exchange Rate Information**

We prepare our financial statements in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars, and U.S. dollars into Renminbi, at RMB 6.6000 to US\$1.00, the noon buying rate on December 31, 2010 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.

Until July 20, 2005, the PBOC had set and published 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. 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 account items, such as foreign direct investments, loans or securities, requires the approval of the SAFE and other relevant authorities.

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 Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China, 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.

**Table of Contents**

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 Federal Reserve Bank of New York until December 31, 2008. Since January 1, 2009, the Federal Reserve Bank of New York discontinued publication of foreign exchange rates. The source of the rates since January 1, 2009 is the H.10 statistical release of the Federal Reserve Board. On April 15, 2011, the exchange rates were US\$ 1.00 to RMB 6.5317 and US \$1.00 to HK \$7.7733, 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 2010	6.6912	6.6397	7.7648	7.7515
November 2010	6.6892	6.6330	7.7656	7.7501
December 2010	6.6745	6.6000	7.7833	7.7612
January 2011	6.6364	6.5814	7.7978	7.7683
February 2011	6.5965	6.5520	7.7957	7.7823
March 2011	6.5743	6.5510	7.8012	7.7858
April 2011 (through April 15, 2011)	6.5477	6.5310	7.7784	7.7671

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 2006, 2007, 2008, 2009, 2010 and 2011 (through April 15, 2011) (calculated by averaging the rates on the last day of each month of the periods shown):

	Period-end rate		Average rate	
	RMB per US\$	HK\$ per US\$	RMB per US\$	HK\$ per US\$
2006	7.8041	7.7771	7.9579	7.7685
2007	7.2946	7.7984	7.6072	7.8008
2008	6.8225	7.7499	6.9477	7.7814
2009	6.8259	7.7536	6.8295	7.7513
2010	6.6000	7.7810	6.7603	7.7692
2011 (through April 15, 2011)	6.5317	7.7733	6.5654	7.7868

**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.

**Table of Contents**

**Risks Relating to Our Business**

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

A substantial portion of our business is conducted through our individual agents. Because of differences in productivity, a relatively small percentage of our sales agents is 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. Competition for agents from insurance companies and other business institutions may also force us to increase the compensation of our agents and sales representatives, which would increase operating costs and reduce our profitability. Although we have not had difficulty in attracting and retaining productive agents in the recent past, and do not anticipate any difficulties in the future, we cannot guarantee that this will continue to be the case.

***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 particularly 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. These insurance companies may be 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. 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:

- 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 or financial condition.

**Table of Contents**

***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 financial performance could be materially and adversely affected.

***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. From the beginning of the year 2010 to the date of this annual report, the PBOC increased the interest rates four times. As a result, the interest rate on one-year term deposits was raised from 2.25% to 3.25%. The Chinese government may further increase interest rates, which may increase surrenders and withdrawals of insurance and annuity policies and contracts as policyholders 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. However, if interest rates were to decrease in the future, the income we realize from our investments may be reduced. In addition, as instruments in our investment portfolio mature, we might have to reinvest the funds we receive in investments bearing lower interest rates.

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

On June 10, 1999, the CIRC reduced to 2.50% the maximum guaranteed rate which life insurance companies could commit to pay on new policies and in response, CLIC adopted new pricing policies which reduced the guaranteed rates on its products to a range of between 1.50% and 2.50%. We also have shifted our mix of products to emphasize products that lessen the impact from interest rate changes, including traditional policies that are not as sensitive to interest rates and participating policies under which our customers receive a portion of our distributable earnings from participating products, as well as products having shorter terms to better match the duration of our investment portfolio. Furthermore, we have made use of the relaxation of investment restrictions applicable to us to diversify our investments. We and CLIC have not incurred negative spread on policies issued since June 10, 1999, as the average investment returns we and CLIC have been able to generate have been higher than their guaranteed rates. However, if the rates of return on our investments fall below the minimum rates we guarantee, our profitability would be materially and adversely affected.

**Table of Contents**

***Because of the general lack of long-term fixed income securities in the Chinese capital markets and the restrictions on the types of investments we may make, 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, restrictions under the current PRC insurance law and regulations on the asset classes in which we may invest, as well as the limited availability of long-duration investment assets in the markets in which we invest, have resulted 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 financial markets currently do not provide an effective means for us to hedge our interest rate risk through financial derivative products. We believe that, with 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 earnings.

***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, 2010, approximately 99.6% of our total investment assets were in China. In particular, as of December 31, 2010, approximately 45.5% 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 32.8% of our total investment assets consisted of term deposits with Chinese banks, and of these deposits, 35.6% were placed with the four largest Chinese state-owned commercial banks. A serious downturn in the Chinese economy may lead to investment losses, which would reduce our earnings.

***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 392 million (US\$59 million) in foreign exchange losses for the year ended December 31, 2010, resulting from our assets held in foreign currencies, which were affected by the appreciation 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.

**Table of Contents**

Under China's existing foreign exchange control regulations, the conversion of foreign currencies into the Renminbi requires approval of relevant government agencies. We obtained an approval to settle a portion of our assets held in foreign currencies into the Renminbi in 2005, which partially reduced the foreign exchange risks we are exposed to. Except the aforementioned approval obtained in 2005, we have not obtained any approval to settle any portion of our assets held in foreign currencies into the Renminbi, and there is no guarantee that we will be able to obtain any such approval in the future. If we do not obtain such approval, our ability to manage our foreign exchange risks may be limited. There are few financial products available in China to hedge foreign exchange risks, which substantially limits our ability to manage our foreign exchange risks.

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

Approximately 45.5% of our investment assets as of December 31, 2010 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.

***Unless we are permitted to invest in a broader range of asset classes, our ability to improve our rate of investment return will be limited.***

Our premiums have grown rapidly during the last three years. As a Chinese life insurance company we are subject to restrictions under current PRC insurance law and regulations on the asset classes in which we are permitted to invest. In 2010, the investment channels of Chinese life insurance companies were broadened to permit investment in bank deposits, debt securities, stocks, Chinese securities investment funds, real property, equity interests of non-listed enterprises, interest rate swaps, overseas investments and other investment channels as approved by the State Council, all subject to various limitations. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments. If the asset classes in which we are permitted to invest do not further expand in the future, we will be limited in our ability to improve our rate of return, which may materially and adversely impact our profitability.

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

As of December 31, 2010, we had RMB 195,918 million (US\$29,685 million) invested in equity securities, among which RMB 190,073 million (US\$28,799 million) were invested in PRC securities markets, including securities investment funds and shares traded on the securities markets in China. These securities investment funds are primarily invested in equity securities that are issued by Chinese companies and traded on China's stock exchanges. Beginning in March 2005, we are also permitted to directly invest in shares traded on the securities markets in China. The PRC securities markets are characterized by companies with relatively small market capitalizations and low trading volumes, and 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 price volatility. 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.

**Table of Contents**

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

As a Chinese life insurance company, we are subject to restrictions under current PRC insurance law and regulations on the asset classes in which we are permitted to invest. We understand that the CIRC is considering opening further investment channels to insurance companies. We will consider these alternative ways of investing once they become available to us. However, these new or potential investment channels are still undergoing evolving regulatory requirements. In addition, our experience with these new investment channels, especially overseas channels, might be limited. 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.

***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 payout of benefits, 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. Standards with respect to the calculation and presentation of reserves are still evolving, and any changes in the future may also impact our earnings and presentations of financial statements. We record changes in our reserves in the period the reserves are established or re-estimated. If the reserves originally established for future policy benefits prove inadequate or excessive, 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 do insurance companies operating in some other countries 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.

**Table of Contents*****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 our 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. In 2008, our claims payments for the snow disaster and for the earthquake were approximately RMB 11.916 million and RMB 153 million, respectively.

We establish liabilities for claims arising from a catastrophe only after assessing the exposure and damages arising from the event. Although we are in the process of purchasing catastrophe reinsurance, we do not currently carry catastrophe reinsurance to reduce our catastrophe exposure. Any such catastrophic event could have a material adverse effect on us.

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

We are involved in litigation 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 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 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, 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 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 .



**Table of Contents**

***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**. These measures are 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. These assumptions may deviate significantly from our actual experience. 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 their entirety. You should use special care when interpreting embedded value results and should not place undue reliance on them. See also **Forward-Looking Statements**.

**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, and China Pacific Life Insurance Co. Ltd., or China Pacific Life. Together, Ping An, China Pacific Life and we accounted for more than 63% of the individual and group life insurance premiums in China in 2009, 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 individual life insurance premiums in China decreased from 43% in 2008 to 38% in 2009. Each of Ping An and China Pacific Life has operated in the Chinese insurance market for more than ten years, and each has a recognized brand name. Ping An had a greater market share than we did in Beijing, Shanghai, Qingdao and Dalian in 2009. 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.

**Table of Contents**

***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. Barriers to foreign insurers' entry into the Chinese insurance market were phased out as a result of China's accession to the World Trade Organization, or WTO, in December 2001, which has allowed foreign insurers to sell health, annuity and group life insurance products nationwide since December 2004. In Shanghai, Guangzhou and Shenzhen, where foreign-invested insurers have been allowed to operate since 1992, 1995 and 1999, the foreign-invested insurers had respective life insurance market shares of approximately 18%, 19% and 21% in 2009. We believe that the relaxation of the restrictions on foreign-invested insurers will continue to increase the competitive pressures we are facing. Foreign-invested life insurance companies, through their Chinese and/or foreign shareholders, may have access to greater financial, technological or other resources than we do.

***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 53 property and casualty insurers as of December 31, 2010. We believe property and casualty insurers have the competitive advantage of being able to bundle, or cross-sell, accident and 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 joint venture, 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 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.

**Table of Contents**

***All of our individual agents are required to obtain qualification certificates and all of our institutional insurance agencies and brokers are required to obtain permits and be registered. If a substantial number of our individual agents, 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.***

Individual life insurance agents, representatives of institutional insurance agencies and insurance brokers are required to obtain a qualification certificate from the CIRC in order to conduct insurance agency business. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries . Approximately 0.2% of our individual agents had not obtained such a certificate as of December 31, 2010. Under applicable CIRC regulations, insurance companies that retain individual agents without CIRC qualification certificates to engage in insurance sales activities will be warned and fined up to RMB 30,000, and the responsible members of senior management and other responsible personnel of such insurance companies will also be warned and fined up to RMB 10,000. In serious circumstances, the CIRC may order the insurance companies to remove the responsible members of senior management and other responsible personnel from office and reject any application for establishing branch offices by such insurance companies. In addition, the CIRC required that every individual agent must wear credentials showing specified information, including whether or not the agent has obtained a qualification certificate from the CIRC, when conducting agency business. If more CIRC agencies were to enforce this regulation in the future, and if a substantial number of our agents do not become qualified, or if a substantial number of our policyholders who bought insurance policies through our unqualified exclusive agents were to cancel the policies because of these regulations, our business may be materially and adversely affected. Moreover, we may be subject to fines and other administrative proceedings for the failure of our insurance agents to obtain the necessary CIRC qualification certificates. Any such fines or administrative proceedings could materially and adversely affect our business, financial condition and results of operations.

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 would 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.

***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 wide 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, the rules issued by the CBRC in November 2010 and by the CBRC and CIRC in March 2011 imposed a series of restrictions on sales of insurance products through bancassurance including, among other things, that insurance companies are prohibited from the sale of insurance products by their own sales representatives at the sites of the commercial banks or banking operations of post offices. These restrictions may, at least in the short term, adversely affect the sales of our bancassurance products. 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.

**Table of Contents**

***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 be dilutive to our existing investors, or to reduce our growth.***

We are required by CIRC regulation to maintain our solvency at a level in excess of minimum solvency levels. Our minimum solvency is affected primarily by the policy reserves we are required to maintain which, in turn, are affected by the volume of policies and contracts we sell and by regulations on the determination of statutory reserves. Our solvency ratio is also affected by a number of other factors, including the profit margin of our products, returns on our investments, underwriting and acquisition costs and policyholder and shareholder dividends. Our solvency ratio as of December 31, 2010 was 211.99%. While our solvency ratio is currently above the required ratio of 100%, if we continue to 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 issuances 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.

**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 is expected to remain negative in the short term.

In connection with the restructuring, CLIC has established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. The special purpose fund will be funded by investment assets retained by CLIC; renewal premiums paid on the non-transferred policies over time; a portion of the tax payments made by CLIC, China Life and AMC; profits from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by China Life; proceeds from the disposition of China Life shares by CLIC over time; and funds injected by the MOF in the event of a deficiency in the special purpose fund, as described below. 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 and professional fees, and such other purposes as the management committee of the fund may agree. 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.

**Table of Contents**

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 . 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. 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.

**Table of Contents**

***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 hostile 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. We formed a property and casualty joint venture 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 joint venture with us.

**Table of Contents**

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:

- 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.

In 2010, in an effort to fight inflation, the Chinese government took certain measures, including increasing the interest rates. From the beginning of the year 2010 to the date of this annual report, the interest rate on one-year term deposits, a key benchmark rate, was raised four times from 2.25% to 3.25%. Some of these measures benefit the overall economy of China but may have a negative effect on our business. See We are exposed to changes in interest rates. For example, our operating results and financial condition could be materially and adversely affected by government monetary policies, changes in interest rate policies, tax regulations, policies and regulations affecting the capital markets and asset management industry. A slowdown in Chinese growth rates could adversely affect us by impacting sales of our products, reducing our investment returns, or otherwise.

**Table of Contents**

***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 and their non-binding nature, 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. However, to our knowledge, no action has been brought in China by any holder of shares issued by a Chinese company to enforce an arbitral award. As a result, 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 on behalf of the company, no detailed implementation rules or court interpretations have been issued in this regard. Also, class action lawsuits are generally not available 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 or the consenting shareholders 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* .



**Table of Contents**

***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 Chinese 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 exempt from PRC income tax. When paying dividends for the year of 2008 and each year thereafter to non-resident enterprise holders of H shares outside of the PRC, such dividends are subject to a dividend withholding 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 relevant tax treaties. In addition, gains realized by individuals upon the sale or other disposition of H shares currently are exempt from PRC income tax. If the exemptions are withdrawn in the future, 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.

Under China's existing foreign exchange regulations, we are able to pay dividends 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.

**Table of Contents**

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 15, 2011, the Renminbi has appreciated by approximately 24.2%. We had approximately RMB 392 million (US\$59 million) foreign exchange losses for the year ended December 31, 2010, resulting from our assets held in foreign currencies, which were affected by the appreciation 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. Distributable profits generally means our after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that we are required to make, subject to further regulatory restrictions. There is no difference in the amount of our after-tax profits in 2010 calculated under PRC GAAP or IFRS. 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. 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 sole owner. 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.

**Table of Contents**

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 .

**Table of Contents**

In connection with the restructuring, CLIC has established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. The special purpose fund will be funded by investment assets retained by CLIC; renewal premiums paid on the non-transferred policies over time; a portion of the tax payments made by CLIC, China Life and AMC under the tax rebate mechanism described below; profits from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by China Life; proceeds from the disposition of China Life shares by CLIC over time; and funds injected by the MOF in the event of a deficiency in the special purpose fund, as described below. 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 and professional fees, and such other purposes as the management committee of the fund may agree. A management committee comprised of three 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. According to 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 will 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.

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 joint venture, 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 joint venture, CLPCIC, with CLIC. On January 15, 2007, we established a pension insurance joint venture, China Life Pension, with CLIC and AMC.

**Table of Contents**

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.

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.

We incurred capital expenditures of RMB4,737 million (US\$718 million), RMB 2,456 million and RMB 2,127 million in 2010, 2009 and 2008, respectively. These capital expenditures mainly comprised of the addition of properties for office premises and electronic equipment.

**B. BUSINESS OVERVIEW**

We had nearly 129 million individual and group life insurance policies, annuity contracts and long-term health insurance policies in force as of December 31, 2010. We also offer accident and short-term health insurance policies to individuals and groups. As of December 31, 2010, the average guaranteed rate of return of the products we offered was 2.41%. For the financial year ended December 31, 2010, our lapse rate was approximately 2.31%. The policy persistency rate, which measures the ratio of the insurance policies that are still effective after a certain period, was 93.0% for 14 months after issuance and 87.6% for 26 months after issuance.

**Individual Life Insurance**

We offer life insurance and annuity products to individuals, primarily through a distribution force comprised of approximately 706,000 exclusive agents operating in approximately 18,953 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. The financial results of our individual long-term health and long-term accident insurance business are also reflected in our individual life insurance business segment. Gross written premiums generated by our individual life insurance products, including long-term health and long-term accident insurance products, totaled RMB302,781 million (US\$45,876 million) for the year ended December 31, 2010, RMB 261,715 million for the year ended December 31, 2009 and RMB 252,130 million for the year ended December 31, 2008, constituting 95.2%, 94.8% and 94.9% of our total gross written premiums for those periods. The figure for 2010 represented a 15.7% increase from 2009.

**Table of Contents**

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

	2008 RMB	As of or for the year ended December 31,			Annual growth rate (2008-2010)
		2009 RMB	2010 RMB	2010 US\$	
		<i>(in millions, except as otherwise indicated)</i>			
Individual life gross written premiums	252,130	261,715	302,781	45,876	9.6%
Individual life liabilities of insurance contracts	654,037	808,591	1,008,201	152,758	24.2%
Individual life liabilities of investment contracts	10,928	14,579	15,664	2,373	19.7%

**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 and annuities. The financial results of our long-term health and long-term accident insurance business are also reflected in our individual life insurance business segment.

We offer both non-participating and participating products. There were approximately 78.12 million non-participating policies and 50.61 million participating policies as of December 31, 2010, among which approximately 53.20 million non-participating policies and 44.77 million participating policies are offered to individuals.

The following table sets forth selected financial information regarding our individual life insurance and annuity products, including long-term health and long-term accident products, for the periods indicated.

	2008 RMB	For the year ended December 31,		
		2009 RMB	2010 RMB	2010 US\$
		<i>(in millions)</i>		
<b>Gross written premiums</b>				
Whole life and term life insurance	35,729	38,665	39,747	6,022
Endowment	188,099	184,841	220,505	33,410
Annuities	28,302	38,209	42,529	6,444

**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.

The guaranteed rate of return in China for non-participating whole life insurance products has been capped at 2.50% by the CIRC since June 1999. We believe that the insurance market will continue to move away from non-participating whole life insurance products to participating whole life insurance products.

**Table of Contents**

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 20 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.

**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 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 20 years or end at specified ages. Premiums are typically at a level amount for the coverage period.

Although non-participating endowment products have historically been among the most popular individual life insurance products in China, we believe that, as the prevailing permitted guaranteed rate in China remains capped at the current level of 2.50% as it has been for the past several years, the market has shifted away from these products in favor of participating endowment products.

*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 death benefits or cash values available upon surrender. Hong Feng Endowment and Hong Fu Endowment have generated the most income for participating endowment products in 2010. Hong Feng Endowment had RMB 29,868 million (US\$4,525 million) of net premiums in 2010, representing 9.9% of net premiums of our individual life insurance business. Hong Fu Endowment had RMB 44,320 million (US\$6,715 million) of net premiums in 2010, representing 14.6% of total gross written premiums of our individual life insurance business. The net premiums earned from our participating endowment products increased by RMB 36,301 million, or 21.8%, to RMB 203,216 million (US\$30,790 million) in 2010 from RMB 166,915 million in 2009.

**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.

**Table of Contents**

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.

***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.

We began the sale of universal products in certain provinces on a trial basis since 2005. In 2010, we sold universal products in most provincial capitals and some large and medium size cities of the PRC.

***Marketing and Distribution***

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 individuals residing in urban and economically developed coastal areas of China, where disposable income is relatively higher and, we believe, demand for life insurance and annuity products is greater. In addition, we are implementing a new 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 706,000 exclusive agents operating in approximately 18,953 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 97,000 outlets of commercial banks, banking operations of post offices and savings cooperatives, to diversify our distribution channels and to achieve higher growth. See [Distribution Channels](#).

***Group Life Insurance***

We are a leading group life insurance company in China, providing group life insurance and annuity products to the employees of many of China's large companies and institutions, including many of the Fortune Global 500 companies operating in China. We offer group life insurance and annuity products to the employees of companies and institutions through approximately 14,000 direct sales representatives operating in more than 2,700 branch offices as well as insurance agencies and insurance brokerage companies. The financial results of our group long-term health and long-term accident insurance business are also reflected in our group life insurance business segment. Gross written premiums generated from our group life insurance and annuity products totaled RMB473 million (US\$72 million) for the year ended December 31, 2010, RMB 190 million for the year ended December 31, 2009 and RMB 340 million for the year ended December 31, 2008, constituting 0.15%, 0.07% and 0.13% of our total gross written premiums for each respective year. The figure for 2010 represented a 148.9% increase from 2009. This increase was primarily due to a considerable increase in premiums from group term life insurance products and whole life insurance products.



**Table of Contents**

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

	2008 RMB	As of or for the year ended December 31,			Annual growth rate (2008-2010)
		2009 RMB	2010 RMB	2010 US\$	
		<i>(in millions, except as otherwise indicated)</i>			
Group life gross written premiums	340	190	473	72	17.9%
Group life liabilities of insurance contracts	811	632	695	105	(7.4)%
Group life liabilities of investment contracts	54,135	52,747	54,507	8,259	0.3%

**Products**

We 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.

The following table sets forth selected financial information regarding our group life insurance and annuity products, including long-term health and long-term accident products, for the periods indicated.

	For the year ended December 31			
	2008 RMB	2009 RMB	2010 RMB	2010 US\$
		<i>(in millions)</i>		
<b>Gross written premiums:</b>				
Group annuities	41	18	21	3
Group whole life and term life insurance	299	172	452	68

**Group Annuities**

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, calculated at a guaranteed interest rate set at the time the product is priced, subject to a cap fixed by the CIRC, which currently is 2.50%. 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.

**Table of Contents****Group Whole Life and Term Life Insurance**

We offer group non-participating whole life insurance products and group non-participating term life insurance products. Our group whole life and term life insurance products insure against death and serious disabilities due to accidents and illness.

**Marketing and Distribution**

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 enhanced real-time customer service. While continuing to focus on large institutional clients, we also target small- to medium-sized companies in economically developed regions 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. We believe our sales network has a geographic reach unparalleled by any other life insurance company in China, serving almost every county in China. See

Distribution Channels .

**Short-term Insurance**

We offer a broad array of short-term insurance products, including short-term accident insurance and short-term health insurance products, in China.

The following table sets forth selected financial and other data regarding our short-term accident insurance and short-term health insurance businesses as of the dates or for the periods indicated. The financial results of our long-term health insurance and long-term accident insurance businesses are reflected in our individual and group life insurance business segments, respectively. See Individual Life Insurance and Group Life Insurance .

	2008 RMB	As of or for the year ended December 31,			Annual growth rate (2008-2010)
		2009 RMB	2010 RMB	2010 US\$	
<i>(in millions, except as otherwise indicated)</i>					
Short-term accident insurance premiums	6,221	7,076	7,657	1,160	10.9%
Short-term health insurance premiums	6,965	6,989	7,318	1,109	2.5%
Accident and health reserves for claims and claim adjustment expenses (gross)	2,780	2,944	3,304	501	9.0%
Accident and health insurance unearned premium reserves (gross)	5,237	5,997	5,935	899	6.5%

**Accident Insurance**

We are the leading accident insurance provider in China. Our short-term accident insurance gross written premiums totaled RMB7,657 million (US\$1,160 million) for the year ended December 31, 2010, RMB 7,076 million for the year ended December 31, 2009 and RMB 6,221 million for the year ended December 31, 2008, constituting 2.4%, 2.6% and 2.3% of our total gross written premiums for those periods.

**Table of Contents**

***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 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. The terms of individual accident insurance products range from a few hours to one year.

***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 industry groups, such as construction worker related accident insurance to construction companies, and law enforcement personnel accident insurance to various law enforcement agencies.

***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 short-term individual accident products to employees of our institutional customers.

***Health Insurance***

We offer a broad array of short-term health insurance products and services to both individuals and groups, including disease-specific insurance, medical expense insurance and defined benefit insurance. Our short-term health insurance gross written premiums totaled RMB7,318 million (US\$1,109 million ) for the year ended December 31, 2010, RMB 6,989 million for the year ended December 31, 2009 and RMB 6,965 million for the year ended December 31, 2008, constituting 2.3%, 2.5% and 2.6% of our total gross written premiums for those periods. The figure for 2010 represented a 4.7% increase from 2009.

**Table of Contents**

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.

***Products***

We offer short-term 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 either pay premiums in a single payment or on a periodic basis or, for certain group medical expense reimbursement plans, irregularly as determined by the policyholder.

***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.

***Product Development***

In 2010, in line with our general development strategy, we developed and introduced 19 new products, including 12 long-term insurance products consisting of 10 life insurance products and two health insurance products; and seven short-term insurance products consisting of two accident insurance products, four health insurance products and one life insurance product with a term of one year.

**Table of Contents**

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

for individual insurance distribution channels, the Fu Lu Man Tang pension annuity product, which may meet diversified customer needs by allowing the customers to determine certain terms of this product, including the starting age of receiving the annuity payment, the annuity payment period and types of payment received; the Fu Lu Participating series, including Fu Lu Jin Zun Participating Endowment and Fu Lu Cheng Xiang Participating Endowment, with improved wealth management and protective functions; the Fu Man Yi Sheng Participating Endowment, which enhances the series of periodic return products; and the Xiang Tai series, including Xiang Tai Term Life and Xiang Tai Whole Life, which enhances the product's protective function to satisfy a group of customers with particular needs for protection. In addition, we also developed and introduced our first general supplemental major disease product, China Life Supplemental Major Disease Insurance (Class A), which may be packaged with our major individual life insurance products to improve the attractiveness of these major insurance products; for bancassurance distribution channels, the upgraded and modified Hong Tai and Kang You products, including New Hong Tai Participating Endowment and Supplemental Kang You Major Disease Insurance (Version 2010). New Hong Tai increases the guaranteed rates paid to the customers and the embedded value of the product, and the upgraded Kang You (Version 2010) may be packaged with other major bancassurance products, which may enhance the protective function of bancassurance products;

our first group investment-linked insurance product, Wen Ying Yi Sheng Group Annuity Investment-linked Insurance, to be marketed through group insurance channels; and the An Xin Endowment and the Supplemental An Xin Long-term Accident Insurance, which are expected to be particularly attractive for marketing through telephone sales.

With respect to short-term insurance products, we introduced a series of supplemental rural micro-insurance, Rural Subsidized Poverty Loan Borrower Accident Micro-insurance and Rural Subsidized Poverty Loan Borrower Term Life Micro-insurance, to meet the needs of the large number of people in rural areas. We also developed a series of short term insurance products, including An Ning Fracture Accident In-Patient Compensation Medical Insurance, Supplemental Highland Disease Medical Insurance and Women's Reproductive Health Care Group Disease Insurance, to meet the needs of particular groups.

**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 706,000 exclusive agents operating in approximately 18,953 field offices for our individual products and more than 14,000 direct sales representatives in more than 2,700 branch offices 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 97,000 outlets of commercial banks, banking operations of post offices and savings cooperatives as of the end of December 2010, which was an increase from 2009. This increase was because we further strengthened our cooperation with small to medium sized banks. 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.

**Table of Contents*****Exclusive agent force***

Our exclusive agent force of approximately 706,000 agents, including those who are not qualified, 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>2008</b>	<b>2009</b>	<b>2010</b>
Number of exclusive agents (approximately)	716,000	777,000	706,000
Number of field offices	16,813	19,000	18,953

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 decreased from 777,000 as of the end of 2009 to 706,000 as of the end of 2010. This decrease was primarily due to the strengthened performance review conducted by us in 2010, as a result of which a number of exclusive agents with lower productivity level left. 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.

Beginning in 2006, we also accelerated the development of a special sales force targeting orphan policies (policies which were serviced by former individual agents who have since left the company).

Individual insurance agents, representatives of insurance agencies and insurance brokers are required to obtain qualification certificates issued 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 . Under applicable CIRC regulations, we and members of our management may face sanctions if we retain individual agents without CIRC qualification certificates, and policyholders who bought insurance policies through our unqualified agents are allowed to cancel the policies, under some circumstances. As of December 31, 2010, approximately 99.8% of our individual agents had obtained such a certificate.

We supervise and provide training to our exclusive agents through more than 1,100 full-time trainers and 18,000 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 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.

**Table of Contents**

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 expanding our customer-oriented market segmentation sales approach and standardized sales services to all agents nationwide;  
motivating our exclusive agents with an improved performance-based compensation scheme;  
building a more professional exclusive agent force by improving our training programs and enhancing our training efforts and increasing the number of qualified exclusive agents;  
improving the quality of our exclusive agent force by expanding our recruitment program and standardizing our recruitment procedures and admission requirements; and  
improving the efficiency of our exclusive agents by providing sales support and equipments, including expanding the China Life E-Home sales support system nationwide and equipping our more productive exclusive agents with personal electronic devices to further enhance their marketing, time management and customer service capabilities.

***Direct sales force***

Our direct sales force 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.

Our direct sales representatives include approximately 4,000 full-time employees and 10,000 agents and operate in more than 2,700 branch offices across China.

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. Our distribution channels are primarily comprised of non-dedicated agencies located in approximately 97,000 outlets of commercial banks, banking operations of post offices and savings cooperatives, as well as insurance agencies and insurance brokerage companies.

**Table of Contents**

***Bancassurance***

We have bancassurance arrangements with major banks, savings cooperatives and banking operations of post offices in China, and currently generate a significant portion of our total sales through bancassurance. Bancassurance is a steady growing channel, and we will continue to dedicate substantial resources, through our bancassurance department, 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 non-dedicated agencies***

In addition to bancassurance, we also sell short-term insurance products through other non-dedicated agencies. Currently, we have non-dedicated agencies operating at outlets of travel agencies, hotels and airline sales counters. We expect non-dedicated agencies to become an increasingly important distribution channel for individual products.

***Other intermediaries***

We also 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 remains generally 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.

**Competition**

Our nearest competitors are Ping An and China Pacific Life.

In the individual life insurance market, Ping An, China Pacific Life and we collectively represented 63% of total individual life insurance premiums in 2009. We primarily compete based on the nationwide reach of our sales network and the level of services we provide, as well as our strong brand name.

In the group life insurance market, Ping An, China Pacific Life and we collectively represented 61% of total group life insurance premiums in 2009. We primarily compete based on the nationwide reach of our sales network and the level of services we provide, as well as our relationships and reputation among large companies and institutions in China.

In the accident insurance market, Ping An, China Pacific Life and we collectively represented 71% of total accident premiums in 2009. 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, China Pacific Life and we collectively represented 58% of total health premiums in 2009. 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.



**Table of Contents**

The following table sets forth market share information for the year ended December 31, 2009, 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.

	<b>Individual Life Premiums market share</b>	<b>Group life Premiums market share</b>	<b>Accident Premiums market share</b>	<b>Health Premiums market share</b>	<b>Total Premiums market share</b>
<b>China Life</b>	38%	39%	45%	22%	38%
Ping An Insurance Company of China, Ltd.	16%	16%	9%	29%	17%
China Pacific Life Insurance Co. Ltd.	9%	6%	17%	7%	8%
New China Life Insurance Co. Ltd.	8%	0%	4%	7%	8%
Tai Kang Life Insurance Co. Ltd.	8%	16%	4%	6%	9%
Others <sup>(1)</sup>	20%	23%	21%	29%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- (1) Others include Taiping Life Insurance Co. Ltd., Minsheng Life Insurance Co., Ltd., Sino Life Insurance Co., Ltd., PICC Life Insurance Co., Ltd., PICC Health Insurance Co., Ltd., Hua Tai Life Insurance Co., Ltd., Union Life Insurance Co., Ltd., Greatwall Life Insurance Co., Ltd., Manulife-Sinochem Life Insurance Co. Ltd., Pacific-Antai Life Insurance Co. Ltd., AXA-Minmetals Assurance Co., Ltd., China CMG Life Insurance Co., Ltd., Citic-Prudential Life Insurance Co., Ltd., John Hancock-Tianan Life Insurance Co. Ltd., Generali China Life Insurance Co. Ltd., Sun Life Everbright Life Insurance Co. Ltd., ING Capital Life Insurance Co., Ltd., Haier New York Life Insurance Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., AEGON-CNOOC Life Insurance Co., Ltd., CIGNA CMC Life Insurance Co., Ltd., Nissay-SVA Life Insurance Co., Ltd., Heng An Standard Life Insurance Co., Ltd., Skandia-BSM Life Insurance Co., Ltd., Sino-US Metlife Insurance Co., Ltd. and Shanghai, Guangdong, Shenzhen, Beijing, Jiangsu, Dongguan and Jiangmen branches of American International Assurance Co., Ltd., Cathay Life Insurance Co., Ltd., Met Life Insurance Co., Ltd., Allianz China Life Insurance Co., Ltd., Samsung Air China life Insurance Co., Ltd., Jiahe Life Insurance Co., Ltd., Dragon Life Insurance Co., Ltd., Zhongxin Grand Oriental Person's Life Insurance Co., Ltd., Kunlun Health Insurance Co., Ltd., Huaxia Life Insurance Co., Ltd., Sinatay Life Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Happy Life Insurance Co., Ltd., Sino-French Life Insurance Co., Ltd., Sunshine Life Insurance Corporation Limited, Pingan Pension Co., Ltd., Pingan Health Insurance Co., Ltd., Guohua Life Insurance Co., Ltd., Hexie Health Insurance Co., Ltd., Aeon Life Insurance Co., Ltd., China Post Life Insurance Co., Ltd., King Dragon Life Insurance Co., Ltd., and Shin Kong HNA Life Insurance Co., Ltd.

*Source:* China Insurance Yearbook 2010

We face competition not only from domestic life insurance companies, but also from non-life insurance companies and foreign-invested life insurers. There were 56 licensed life insurance companies in China as of December 31, 2008, 59 as of December 31, 2009 and 61 as of December 31, 2010. 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 face 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.

**Table of Contents**

**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. We also established a specialized customer service department in 2006 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.

***Customer service units***

We provide customer support through approximately 3000 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 implemented uniform service standards for customer service units nationwide in 2005.

***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 and greeting message services to customers. We intend to continue to broaden the services we offer through these call service centers. 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. In 2010, the call answer rate of our call centers reached 93.2% and the success rate of the return visit calls on new insurance policies marketed through individual exclusive agents reached 87.7%. From 2004 to 2010, for seven consecutive years, we received the Best Call Centers in China Award from the Professional Committee for the Promotion and Alliance of Customer Relationship Management of Information under the Ministry of Information Industry. We have also 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 weekly operation reports on the call centers.

**Table of Contents**

***Cell phone message services***

We utilize wireless telephone services to make instant contact with our customers and sales people. We may send short messages to our customers all over China, conveying such information as birthday and holiday greetings, premium payment notices and premium payment confirmations.

***Internet-based services***

Our customers can also utilize our Internet-based services for inquiries, complaints and service requests through our website (www.e-chinalife.com).

***Supplementary services***

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

In 2007, we launched for the first time the China Life 1+N service brand, which covers all areas of services we provide to our customers, including several types of basic policy-related services and supplementary 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 for four consecutive years.

Beginning in 2009, we were the first in the industry to issue the customer service card, China Life Crane Card, to all of our customers nationwide. Cardholders will not only enjoy more convenient and expedited insurance services, they will also enjoy many value-added services.

***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 assumptions for mortality, morbidity, persistency, expenses and investment returns, as well as certain macroeconomic factors such as inflation. Those assumptions include a margin for expected profitability and are based on our own experience and published data from other Chinese life insurance companies. For more information on regulation of insurance products, see

Regulatory and Related Matters Insurance Company Regulation .

**Table of Contents**

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 claims 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 Limited, or China Life Re, formerly known as China Reinsurance Company, for the reinsurance of individual risks and group risks. In general, individual 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. Our group risks are generally reinsured either on a surplus basis or on a percentage basis. In general, our reinsurance agreements with China 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 the Beijing branch of Munich Reinsurance Company, the Beijing branch of Swiss Reinsurance Company Limited and the Shanghai branch of German Cologne Reinsurance Company Limited.

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.

***Reserves of Insurance Contracts***

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.

**Table of Contents*****Financial statement reserves***

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.

***Statutory reserves***

We are required under China's insurance law to report insurance reserves for regulatory purposes in the solvency reports. The minimum levels of these reserves are based on methodologies and assumptions mandated by the CIRC. We also maintain assets in excess of policy reserves to meet the solvency requirements under CIRC regulations. See Item 3. Key Information Risk Factors Risks Relating to Our Business Differences in future actual operating results from the assumptions used in pricing and establishing reserves for our insurance and annuity products may materially and adversely affect our earnings.

***Investments***

As of December 31, 2010, we had RMB 1,336,245 million (US\$202,461 million) of investment assets. As provided by China's insurance laws and regulations, we may invest insurance premiums and other insurance funds in bank deposits, debt securities, stocks, Chinese securities investment funds, real property, equity interests of non-listed enterprises, interest rate swaps, overseas investments and other investment channels as approved by the State Council, all subject to various limitations.

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.

**Table of Contents**

Investment proposals typically originate from our investment management department, which is in charge of all of our investment assets. 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 joint venture established by us and CLIC, manages substantially all of our Renminbi investments following the restructuring and, separately, substantially all of the investments retained by CLIC. See Asset Management Business .

The following table summarizes information concerning our investment assets as of December 31, 2008, 2009 and 2010.

	2008		As of December 31, 2009		2010	
	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	34,085	3.6%	36,197	3.1%	47,854	3.6%
Term deposits (excluding structured deposits)	225,367	24.0%	344,710	29.4%	441,585	33.0%
Structured deposits	2,905	0.3%	273	0.0%		0.0%
Statutory deposits restricted	6,153	0.7%	6,153	0.5%	6,153	0.5%
Debt securities, held-to-maturity	211,929	22.6%	235,099	20.1%	246,227	18.4%
Debt Securities, available-for-sale	356,220	38.0%	340,825	29.1%	354,452	26.5%
Debt securities, securities at fair value through income (held-for-trading)	7,736	0.8%	6,391	0.5%	7,513	0.6%
<b>Debt securities</b>	<b>575,885</b>	<b>61.4%</b>	<b>582,315</b>	<b>49.7%</b>	<b>608,192</b>	<b>45.5%</b>
Loans	17,926	1.9%	23,081	2.0%	36,543	2.7%
Equity securities, available for sale	68,719	7.3%	176,674	15.1%	193,669	14.5%
Equity securities, securities at fair value through income (held-for-trading)	6,363	0.7%	2,742	0.2%	2,249	0.2%
<b>Equity securities</b>	<b>75,082</b>	<b>8.0%</b>	<b>179,416</b>	<b>15.3%</b>	<b>195,918</b>	<b>14.7%</b>
Resale agreements						
<b>Total investment assets</b>	<b>937,403</b>	<b>100%</b>	<b>1,172,145</b>	<b>100%</b>	<b>1,336,245</b>	<b>100%</b>
Average investment assets balance	893,806		1,054,774		1,254,195	

**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;



**Table of Contents**

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 and the restrictions on the types of investments we may make, 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. Chinese financial markets currently do not provide effective means for us to hedge our interest rate risk.

We believe we have a relatively low credit risk, because we are limited in the types of investments we may make. 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 in China's capital markets. We understand that the CIRC is considering opening other investment channels to insurance companies. We will consider these alternative ways of investing once they become available to us.

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. We are seeking methods to reduce our foreign exchange risks.

Under China's existing foreign exchange control regulations, the conversion of foreign currencies into the Renminbi requires approval of relevant government agencies. We obtained an approval to settle a portion of our assets held in foreign currencies into the Renminbi in 2005, which partially reduced the foreign exchange risks we are exposed to. Except the aforementioned approval obtained in 2005, we have not obtained any approval to settle any portion of our assets held in foreign currencies into the Renminbi and there is no guarantee that we will be able to obtain any such approval in the future. If we do not obtain such approval, our ability to manage our foreign exchange risks may be limited. There are few financial products available in China to hedge foreign exchange risks, which substantially limits our ability to manage our foreign exchange risks.

**Table of Contents**

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, 2010, 2009 and 2008 were 5.11%, 5.78% and 3.48% respectively.

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

	As of or for the years ended December 31,					
	2008	2009		2010		
	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 and term deposits:</b>						
Investment income	4.9%	11,378	3.3%	10,805	3.7%	16,363
Ending assets: cash and cash equivalents		34,085		36,197		47,854
Ending assets: statutory deposits restricted		6,153		6,153		6,153
Ending assets: term deposits		228,272		344,983		441,585
Ending assets		268,510		387,333		495,592
<b>Debt securities:</b>						
Investment income	4.5%	22,690	4.1%	23,759	4.3%	25,586
Net realized gains/(losses)		2,445		3,346		584
Net fair value gains/(losses) through income		300		(277)		403
Total		25,435		26,828		26,573
Ending assets		575,885		582,315		608,192
<b>Loans:</b>						
Investment income	5.6%	696	5.7%	1,172	5.3%	1,583
Ending assets		17,926		23,081		36,543
<b>Equity securities:</b>						
Investment income	7.5%	10,093	2.5%	3,146	2.8%	5,251
Net realized gains/(losses)		(8,409)		17,898		15,257
Net fair value gains/(losses) through income		(7,494)		1,726		(486)
Total		(5,810)		22,770		20,022
Ending assets		75,082		179,405		195,918
<b>Resale and repurchase agreements:</b>						
<b>Resale agreements:</b>						
Investment income	3.0%	89	N/A	8	N/A	89
Total		89		8		89
Ending assets						

**Repurchase agreements:**

Investment expense	(438)	(111)	(304)
Ending assets	11,390	33,553	23,065

**Investments in associates:**

Investment income/(losses)	(0.8%)	(56)	8.6%	704	12.1%	1,771
Ending assets		7,891		8,470		20,892

**Table of Contents**

	As of or for the years ended December 31,					
	2008		2009		2010	
	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>Total investments:</b>						
Investment income	3.48%	44,946	5.78%	38,890	5.11%	48,872
Net realized gains/(losses)		(5,964)		21,244		15,841
Net fair value gains/(losses) through income		(7,194)		1,449		280
Business tax and extra charges for investment		(650)		(662)		(842)
Total		31,138		60,921		64,151
Ending assets		937,403		1,172,145		1,336,245

(1) Yields for 2008 2009 and 2010 are calculated by dividing the 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 33.1% of our total investment assets as of December 31, 2010, 29.4% of our total investment assets as of December 31, 2009, and 24.4% of our total investment assets as of December 31, 2008.

We generally make term deposits with state-owned commercial banks and large joint stock commercial banks. The terms of the term deposits vary. Most of them carry variable interest rates which are linked to deposit rates set by the PBOC from time to time, thus providing us with a measure of protection against rising interest rates and, for a significant portion of them, the variable interest rates also cannot fall below a fixed guaranteed rate. 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 term deposits to obtain higher yields than can ordinarily be obtained with regular deposits. The following table sets forth term deposits and structured term deposits by contractual maturity dates, as of the dates indicated.

	As of December 31,		
	2008	2009	2010
	Amortized cost	Amortized cost	Amortized cost
<i>(RMB in millions)</i>			
Due in one year or less	64,621	84,393	19,268
Due after one year and through five years	155,320	196,090	340,917
Due after five years and through ten years	6,759	64,500	81,400
Due after ten years	1,572		
<b>Total term deposits and structured term deposits</b>	<b>228,272</b>	<b>344,983</b>	<b>441,585</b>

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

As of December 31,

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>Amortized</b>	<b>Amortized</b>	<b>Amortized</b>
	<b>cost</b>	<b>cost</b>	<b>cost</b>
	<i>(RMB in millions)</i>		
Industrial & Commercial Bank of China	7,939	2,700	
Agriculture Bank of China	18,354	16,883	29,300
Bank of China	5,137	70,400	108,200
China Construction Bank	18,200	21,000	18,200
Other banks	178,642	234,000	282,885
<b>Total term deposits and structured term deposits</b>	<b>228,272</b>	<b>344,983</b>	<b>438,585</b>

**Table of Contents**

A structured deposit is a term deposit combined with an opportunity of enhanced returns, which is usually linked to a certain financial market index. The bank providing this service has the right to terminate the structured deposit at its discretion.

We started to make structured deposits in foreign currencies with commercial banks in 2004. In 2010, the banks with which we made structured deposits determined to terminate the structured deposits, as permitted in their discretion. As a result, we did not hold any structured deposits as of December 31, 2010.

***Debt securities***

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

Chinese government bonds;

government agency bonds (including local government bonds issued and repaid by the Ministry of Finance 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 45.5% of our total investment assets as of December 31, 2010, 49.7% of our total investment assets as of December 31, 2009, 61.4% of our total investment assets as of December 31, 2008.

Based on estimated fair value, Chinese government bonds, Chinese government agency bonds, corporate bonds and subordinated bonds and debt comprised 16.3%, 41.1%, 35.4% and 7.2% of our total available-for-sale debt securities as of December 31, 2010, 15.2%, 48.5%, 30.1% and 6.2% of our total available-for-sale debt securities as of December 31, 2009, and 22.5%, 53.7%, 19.0% and 4.8% of our total available-for-sale debt securities as of December 31, 2008. Except for a small number of debt securities, which collectively had a carrying value of RMB 2,313 million (US\$350 million) as of December 31, 2010, most of our debt securities are traded on stock exchanges or in the unlisted interbank market in China.

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

**Table of Contents**

China Chengxin International Credit Rating Co., Ltd. is a member of Moody's Investors Service Inc., with Moody's owning 49% 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.

	As of December 31,											
	2008				2009				2010			
	Amortized	% of	Estimated	% of	Amortized	% of	Estimated	% of	Amortized	% of	Estimated	% of
	cost	total	fair	total	cost	total	fair	total	cost	total	fair	total
	<i>(RMB in millions)</i>											
<b>Debt securities, available for-sale:</b>												
Government bonds	73,130	13.2%	80,006	13.5%	50,623	8.6%	51,996	8.9%	57,727	9.5%	57,871	9.5%
Government agency bonds	180,135	32.5%	191,121	32.3%	167,313	28.4%	165,231	28.3%	145,522	23.8%	145,538	24.0%
Corporate bonds	64,388	11.6%	67,505	11.4%	103,603	17.7%	102,553	17.6%	127,225	20.8%	125,423	20.7%
Subordinated bonds/debt	17,265	3.1%	17,588	3.0%	21,198	3.6%	21,045	3.6%	26,541	4.3%	25,620	4.2%
<b>Total debt securities, available-for-sale</b>	<b>334,918</b>	<b>60.4%</b>	<b>356,220</b>	<b>60.1%</b>	<b>342,737</b>	<b>58.4%</b>	<b>340,825</b>	<b>58.5%</b>	<b>357,015</b>	<b>58.5%</b>	<b>354,452</b>	<b>58.5%</b>
<b>Debt securities, held to maturity:</b>												
Government bonds	102,688	18.5%	112,681	19.0%	103,980	17.8%	107,432	18.4%	105,006	17.2%	105,720	17.4%
Government agency bonds	79,400	14.3%	84,558	14.3%	84,619	14.5%	82,728	14.2%	90,230	14.8%	89,243	14.7%
Corporate bonds	3,267	0.6%	3,494	0.6%	3,139	0.5%	3,245	0.6%	3,138	0.5%	3,232	0.5%
Subordinated bonds/debt	26,574	4.8%	27,865	4.7%	43,361	7.4%	42,264	7.3%	47,853	7.8%	46,109	7.6%
<b>Total debt securities, held to maturity</b>	<b>211,929</b>	<b>38.2%</b>	<b>228,598</b>	<b>38.6%</b>	<b>235,099</b>	<b>40.2%</b>	<b>235,669</b>	<b>40.4%</b>	<b>246,227</b>	<b>40.3%</b>	<b>244,304</b>	<b>40.3%</b>
<b>Debt securities, securities at fair value through income (held-for-trading)</b>												
Government bonds	1,404	0.3%	1,428	0.2%	2,483	0.4%	2,438	0.4%	898	0.1%	883	0.1%

Government agency bonds	4,525	0.8%	4,660	0.8%	3,559	0.6%	3,549	0.6%	1,918	0.3%	1,915	0.3%
Corporate bonds	1,614	0.3%	1,648	0.3%	403	0.1%	404	0.1%	4,415	0.7%	4,715	0.8%
Subordinated bonds/debt												
<b>Total debt securities, securities at fair value through income (held-for-trading)</b>	<b>7,543</b>	<b>1.4%</b>	<b>7,736</b>	<b>1.3%</b>	<b>6,445</b>	<b>1.1%</b>	<b>6,391</b>	<b>1.1%</b>	<b>7,231</b>	<b>1.2%</b>	<b>7,513</b>	<b>1.2%</b>
<b>Total debt securities</b>	<b>554,583</b>	<b>100%</b>	<b>592,554</b>	<b>100%</b>	<b>580,623</b>	<b>100%</b>	<b>582,834</b>	<b>100%</b>	<b>610,473</b>	<b>100%</b>	<b>606,269</b>	<b>100%</b>

The following table shows the amortized cost and estimated fair value of debt securities excluding securities at fair value through income (held-for-trading) by contractual maturity dates, as of the dates indicated.

	As of December 31,					
	2008		2009		2010	
	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	31,757	32,294	8,844	8,886	22,688	22,962
Due after one year and through five years	97,909	103,801	79,641	82,511	65,609	67,078
Due after five years and through ten years	168,978	183,617	165,523	169,484	177,546	179,338
Due after ten years	248,203	265,106	323,827	315,612	337,398	329,377
<b>Total debt securities</b>	<b>546,847</b>	<b>584,818</b>	<b>577,835</b>	<b>576,493</b>	<b>603,241</b>	<b>598,755</b>



**Table of Contents**

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 at total amounts up to 70% of the cash surrender values of their policies. In general, the loans are secured by the policyholders' rights under the policies. As of December 31, 2010, the total amount of our policy loans was RMB 23,977 million (US\$3,633 million), and represented 1.8% of our total investment assets as of that date.

During the year of 2008, we entrusted AMC to make RMB 1,200 million and RMB 8,000 million as loans to Shentong Group Debt Investment Program and Tianjin City Debt Investment Plan, respectively. We did not make any new investments in debt investment plans during the year of 2009. During the year of 2010, we made RMB 1,500 million, RMB 1,400 million, RMB 200 million and RMB 76 million as loans to Pudong Construction, Shanxi Coal, Jiangyin Bridge and South-to-North Water Diversion debt investment plans, respectively. As of December 31, 2010, our investment in these debt investment plans had a total investment proceeds of approximately RMB 676 million (US\$102 million).

**Securities investment funds**

Securities investment funds consist of Chinese domestic investment funds that primarily invest in securities that are issued by Chinese companies and traded on China's securities exchanges, and represented 7.2% of our total investment assets as of December 31, 2010.

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.

	2008		As of December 31, 2009		2010	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	<i>(RMB in millions, except as otherwise indicated)</i>					
Open-end	31,047	91.4%	68,343	89.8%	87,943	91.3%
Closed-end	2,906	8.6%	7,779	10.2%	8,384	8.7%
<b>Total</b>	<b>33,953</b>	<b>100%</b>	<b>76,122</b>	<b>100%</b>	<b>96,327</b>	<b>100%</b>

**Table of Contents**

***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, 2010, the total amount of our investment in common stocks was RMB 99,580 million (US\$15,088 million), and represented 7.5% of our total investment assets as of that date.

***Repurchase and resale agreements***

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

The securities sold under agreements to repurchase were RMB 11,390 million as of December 31, 2008, RMB 33,553 million as of December 31, 2009 and RMB 23,065 million (US\$3,495 million) as of December 31, 2010. We did not have securities purchased under agreements to resell as of December 31, 2008, 2009 and 2010.

***Asset Management Business***

On November 23, 2003 we established an asset management joint venture, 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. AMC obtained the qualification to serve as the investment manager for enterprise annuity funds on August 1, 2005. In April 2009, the registered capital of AMC was increased from RMB 1,000 million to RMB 3,000 million, with us and CLIC contributing RMB 1,200 million and RMB 800 million, respectively. The proportionate shareholding between CLIC and us remains unchanged.

As of December 31, 2010, AMC had total assets of RMB 4,650 million (US\$705 million), net assets of RMB 3,942 million (US\$597 million) and net profit of RMB 493 million (US\$75 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 July 2008, the registered capital of CLPCIC was increased from RMB 1,000 million to RMB 4,000 million, with US and CLIC contributing RMB 1,200 million and 1,800 million, respectively. The proportionate shareholding between CLIC and us remains unchanged.

As of December 31, 2010, CLPCIC had total assets of RMB 15,106 million (US\$2,289 million), net assets of RMB 2,932 million (US\$444 million) and net profit of RMB 613 million (US\$93 million).

**Table of Contents**

**Pension Insurance Business**

In January 2007 we, CLIC and AMC established a pension insurance joint venture, China Life Pension, with us owning 55%, CLIC owning 25% and AMC owning the remaining 20%. In June 2008, the registered capital of China Life Pension was increased from RMB600 million to RMB2,500 million. China Life Pension is currently held 87.4%, 6.0%, 4.8% and 1.8% by us, CLIC, AMC and China Credit Trust Company Limited, respectively.

China Life Pension obtained the qualification to serve as trustee and account manager of enterprise annuity funds on November 19, 2007.

As of December 31, 2010, China Life Pension had total assets of RMB 2,257 million (US\$342 million), net assets of RMB 2,082 million (US\$315 million) and net losses of RMB 194 million (US\$29 million).

**Information Technology**

Our information technology systems provide support for many aspects of our businesses, including product development, sales and marketing, business management, cost control and risk control. Our information technology systems are supported by approximately 1,815 experienced engineers, technicians and specialists.

In 2010, we continued to increase our investment in information technology development, raising the standards of the information technology applications and services. In the course of optimizing our research and development system and operation support system, we completed the development of China Life E-Home program, a real time online supporting system for our sales and customers management, which provided better technical service for our business development.

In 2010, we continued the construction of our new research and development center in Beijing and substantially completed the earthwork.

**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 thereunder. The CIRC is the authority authorized by the PRC State Council to regulate and supervise the insurance industry in the PRC.

**Table of Contents**

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 and February 28, 2009. 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 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. Our headquarters and all of our branch offices have obtained the requisite insurance licenses. 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 substantially all of our branch offices have obtained business 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 it 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) may not exceed 20% of the total equity of a single insurance company, and the combined equity interests held by foreign investors may not exceed 50% of the total equity of a single life insurance company.

**Table of Contents*****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, organizational form, registered capital or address of registered office or principal 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 insurance and annuity products generally.* The terms and the rates for premiums of new types of life insurance, insurance products that affect social and public interests and insurance products that are mandatorily required by statute, are required to be submitted to the CIRC for approval. The terms and rates of premiums of other types of insurance products are required to be filed with the insurance regulatory bodies.

*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. Participating products may not be sold or modified without the prior approval of the CIRC, and CIRC regulations govern disclosures that may be made regarding participating products. Insurance companies offering participating products are required to file an annual report with the CIRC. The insurance company is also required to provide a performance report to the holders of its participating products at least once a year, setting forth specified financial and other information regarding the products.

*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. Investment-linked products may not be sold or amended without the prior approval of the CIRC. The establishment of separate investment accounts is subject to the CIRC's approval. Transactions between a separate investment account and any other account of the insurance company, other than a transfer of cash to pay for operating expenses of the separate investment account, are prohibited. Other CIRC regulations govern the sale and disclosure terms of investment-linked products.

*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.

*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 obtained the qualification to serve as trustee and account manager of enterprise annuity fund on November 19, 2007. AMC obtained the qualification to serve as the investment manager of enterprise annuity fund on August 1, 2005.

**Table of Contents**

*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 reserve 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, as well as the claims and payments for the short-term health insurance products available for sale for more than one year in the preceding year.

*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 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 classes in which we are permitted to invest. Currently Chinese life insurance companies are allowed to invest their funds in the followings, subject to the satisfaction of conditions prescribed for each form of investment:

bank deposits;

Chinese government bonds;

government agency bonds;

corporate bonds;

stocks;

securities investment funds;

real property;

equity interests of non-listed enterprises;

interest rate swaps;

overseas investments; and

other investment channels as approved by the State Council.

*Bank deposits, Chinese government bonds and government agency bonds.* In October 1999, insurance companies were authorized to make deposits in commercial banks at negotiated rates, provided that the deposits have terms longer than five years and are in amounts of no less than RMB 30 million. The jumbo deposits generally bear more attractive interest rates than interest rates on regular deposits, which are subject to regulation by the central bank.

Insurance companies may also invest in Chinese government bonds and government agency bonds, including local government bonds issued and repaid by the Ministry of Finance as agent, central bank notes and bonds issued by state-owned policy banks of the Chinese government. There are no CIRC prescribed maximum percentage of investments by insurance companies in these bonds.

**Table of Contents**

The balance of an insurer's total investment in bank deposits, government bonds, central bank notes, bonds issued by state-owned policy banks of the Chinese government and currency market funds may be no less than 5% of such insurer's total assets as of the end of the previous quarter.

*Corporate bonds.* Insurance companies are allowed to invest in secured bonds and unsecured bonds.

Secured bonds include secured enterprise bonds, corporate bonds, convertible corporate bonds and bonds publicly issued by securities companies. The invested secured enterprise (corporate) bonds must have a long-term credit rating of A or above as assessed by a domestic credit rating agency. An insurance company may, at its discretion, determine the total amount of investment in financial bonds, subordinated bonds and fixed term subordinated debt issued by commercial banks, RMB-dominated bonds issued by international development institutions and other secured enterprise (corporate) bonds. An insurer's total investment in any single issue of the above bonds may not exceed 20% of such issue.

Unsecured bonds include unsecured enterprise bonds, debt financing instruments of non-financial enterprises and convertible corporate bonds issued by commercial banks. The invested unsecured corporate bonds issued in China must have a long-term credit rating of AA or above as assessed by a domestic credit rating agency. The balance of an insurer's investment in unsecured enterprise (corporate) bonds may not exceed 20% of its total assets as of the end of the previous quarter, and an insurer's total investment in any single issue of the above bonds may not exceed 10% of the issue.

An insurer's investment in secured and unsecured bonds must also meet the following requirements: the balance of investment in bonds issued by any single issuer may not exceed 20% of such issuer's net assets as of the end of the most recent fiscal year; the balance of investment in bonds issued by affiliated enterprises may not exceed 20% of the insurer's net assets as of the end of most recent fiscal year; and the total investment by the affiliates of the same group in any single issue may not exceed 60% of such issue.

Insurance companies may invest in subordinated debt issued by other insurance companies that are not controlling, controlled by or under common control with, the investing insurance company. The balance of an insurer's total investment in fixed term insurance company subordinated debt may not exceed 20% (and 4% in any single issuer) of its net assets as of the end of the previous quarter. The total investment in any single issue may not exceed 20% of the issue, and the balance of such investment may not exceed 1% of the net assets of such insurer as of the end of the previous quarter.

For an insurer undertaking bond repurchase transactions, the balance of the fund from financing activities may not exceed 20% of its total assets as of the end of the previous quarter if the insurer's solvency ratio meets the regulatory requirements, and 10% if the insurer's solvency ratio does not meet the regulatory requirements. The balance of the fund used for resale activities for any single transaction counterparty may not exceed 20% of the insurer's net assets as of the end of the previous quarter and 20% of the transaction counterparty's net assets as of the end of the previous year.

*Stocks.* Insurance companies may use their insurance funds to invest in publicly offered and listed shares which are denominated and traded in RMB, in private placement of shares by listed companies to specific investors and in other stock market investments. As of the date of this annual report, CIRC has not promulgated any rules permitting the investment in the Growth Enterprise Board listed shares and shares which are denominated and traded in foreign currency. Such stock market investments may be made by an insurer directly or through an insurance asset management company, and may be made at primary market offering stage or through secondary market trading.

**Table of Contents**

Where the balance of total investment in stocks and stocks investment funds does not exceed 20% of its total assets as of the end of the previous quarter, an insurance company may, at its discretion, determine the total amount of investment in stocks. The balance of an insurer's investment cost in any single entity's shares may not exceed 50% of such entity's net assets as of the end of the most recent fiscal year, and may not exceed 20% of such insurer's total assets as of the end of the previous quarter. An insurer's investment in any single listed company's shares may not exceed 10% of the total share capital of such listed company. If any investment exceeds 10% of a listed company's total share capital, the insurance company must obtain control over such listed company and must file information regarding the investment with the CIRC.

An insurer is prohibited from investing in any problematic securities that have been identified by the CIRC and is prohibited from engaging in insider trading and other manipulative and illegal activities.

*Securities investment funds.* Insurance companies are allowed to invest in qualified domestic securities investment funds. The amount of investment assets that may be so invested by an insurer may not exceed 15% of its total assets as of the end of the previous quarter. The balance of total investment in securities investment funds and stocks may not exceed 25% of its total assets as of the end of the previous quarter. The balance of total investment in stocks and stocks investment funds may not exceed 20% of its total assets as of the end of the previous quarter. The investment balance in any single fund may not exceed 3% of its total assets as of the end of the previous quarter. An investment in any single closed-end fund may not account for more than 10% of the fund. Notwithstanding the foregoing, insurance companies may invest up to 100% of the assets of an investment account relating to investment-linked products, up to 80% of the assets of an investment account relating to universal life products and up to 15% of the investment assets relating to participating products as of the previous month in qualified domestic securities investment funds.

*Real property.* Insurance companies are allowed to invest in infrastructure real property, non-infrastructure real property and the related financial products.

For insurance funds invested in infrastructure real property, the balance of an life insurance company's investment on a cost basis may not exceed 5% of its total assets as of the end of the previous quarter. The balance of an insurer's investment in a single infrastructure project on a cost basis may not exceed 20% of the overall budget of such project. The balance of an insurer's investment from independent accounting product account on a cost basis may not exceed the specific ratio as stipulated in the insurance policy.

For insurance funds invested in non-infrastructure real property and the related financial products, the balance of an insurer's investment in real properties may not exceed 10% of its total assets as of the end of the previous quarter; the balance of investment in the related financial products may not exceed 3% of the insurer's total assets as of the end of the previous quarter, and the total of the above two items may not exceed 10% of the insurer's total assets as of the end of the previous quarter. The balance of an insurer's investment in any single real property investment plan may not exceed 50% of the issue of such plan, and the investment in any related financial products shall not exceed 20% of the issue of such product.

Where an insurance company invests in real property, if the balance of investment exceeds RMB 2 billion or 20% of the investment limit, or if there is additional investment in the existing real property projects, a report must be made to the CIRC within the prescribed time.



**Table of Contents**

Insurance group (holding) companies and insurance companies may not use any of its reserves to purchase real property for self-use. The balance of investments in the purchase of real property for self-use by an insurer may not exceed 50% of its net assets as of the end of the previous year.

*Equity interests in non-listed enterprises.* Insurance companies are allowed to directly or indirectly invest in equity interests in non-listed enterprises. Such investments are either categorized as direct investments, for acts of investment in and holding of equity by an insurance company under the name of the capital contributor, or as indirect investments, for acts of an insurance company's investment in equity investment funds and other related financial products sponsored and established by an investment management institution. Where an investment is made directly in equity with insurance funds, it must be limited to equity interests of insurance enterprises, non-insurance financial enterprises and insurance business-related old-age pension, medical and automobile services and other such enterprises. For purposes of such direct equity investment other than that may lead to control and indirect investment, an insurer may use its corporate capital and liability reserves.

The balance of an insurer's investment in equity interests of non-listed enterprise may not exceed 5% of the insurer's total assets as of the end of the previous quarter, the balance of investment in equity investment funds and other financial products related to equity interests of non-listed enterprises may not exceed 4% of the insurer's total assets as of the end of the previous quarter, and the aggregate of the two items may not exceed 5% of the insurer's total assets as of the end of the previous quarter. The balance of a direct investment may not exceed the insurer's net assets. Except for material equity investments, the balance of an equity investment in any single equity enterprise may not exceed 30% of the insurer's net assets. The balance of an investment in any single investment fund may not account for more than 20% of the issue size of such fund. The balance of an insurer's investment cost in any single entity's shares may not exceed 50% of the legal person's net assets as of the end of the most recent fiscal year, and may not exceed 20% of such insurer's total assets as of the end of the previous quarter.

Insurance companies are allowed to invest in non-listed commercial banks, including state-owned commercial banks, joint stock commercial banks and city commercial banks in China. Such investments are either categorized as ordinary investments, for investments amounting to less than 5% of the bank's share capital or paid-in capital, or as material investments, for investments exceeding 5% of the bank's share capital or paid-in capital. For purposes of such investment, an insurer may use its corporate capital, liability reserves with a liability term of over 10 years (other than the funds invested in investment-linked and universal life products and other financial management type insurance products), as well as other funds recognized by the CIRC.

The aggregate of ordinary and material investments in banks may not exceed 3% of an insurer's total assets. Ordinary investments in a single bank may not exceed 1% of an insurer's total assets. In addition, material investments are required to be submitted to the CIRC for approval and corporate capital applied to material investments may not exceed 40% of the insurer's paid-in capital as of the end of the previous year, minus accumulated losses. Insurers intending to invest in commercial banks using financing facilities must seek prior approval by the CIRC.

For material investments, insurers are further required to be able to accurately assess the performance and risks of the target bank. If an insurer wishes to purchase a 5%–10% stake in a commercial bank, the insurer must have total assets at the end of the previous year of no less than RMB 20 billion (in the case of an insurance holding company) or RMB 100 billion (in the case of an insurance operating company). For investments greater than 10%, the applicable minimum assets test increases to RMB 30 billion (in the case of an insurance holding company) or RMB 150 billion respectively (in the case of an insurance operating company). We are qualified under these rules to make investments for more than a 10% ownership stake in a commercial bank.

**Table of Contents**

In principle, an insurer may not make material investment in more than two commercial banks.

To exit an investment in a commercial bank, an insurer is required to file with the CIRC for the transfer of an ordinary investment and to obtain CIRC approval for a transfer of a material investment. In the event the bank equity owned by an insurer is converted into tradable shares, the cost for acquiring such bank equity is required to be booked as part of the insurer's stock market investments, which need to comply with CIRC rules in respect thereof.

*Interest rate swaps.* 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.

*Overseas investments.* Insurance companies are allowed to invest abroad with insurance funds in the following categories:

currency market products such as commercial paper, negotiable deposits, repurchase and resale agreements and currency market funds;

fixed income instruments such as bank deposits, structured deposits, bonds, convertible bonds, bond funds, securitization products and trust products, among which, the varieties of bonds in Hong Kong market are limited to bonds publicly issued in Hong Kong by companies listed on Main Board and large state-owned enterprises;

equity investments such as stocks, stock investment funds, equity and equity-type products, which, in Hong Kong, are limited to stocks publicly offered and listed on Main Board; and

other investments permitted by the PRC Insurance Law and the State Council.

The balance of total amount of overseas investments in stocks and securities investment funds may not exceed 15% of the insurer's total assets as of the end of the previous quarter. The ratio for a single investment is the same as the investment ratio of the same variety of investment in the domestic markets. The total amount actually invested by an insurance company may not exceed the foreign currency investment quota approved by the SAFE.

The domestic and overseas investment ratios of various financial products shall be calculated in combination on the basis of the assets actually invested in various bonds, stocks and securities investment funds and subject to regulatory requirements.

***Solvency requirements***

In March 2003, the CIRC introduced a new standard, the solvency ratio, 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 is a measure of capital adequacy, which is calculated by dividing the actual capital of the company (which is its admissible assets less admissible liabilities, determined in accordance with relevant CIRC rules) by the minimum capital it is required to meet.

**Table of Contents**

The minimum capital of a life insurance company is 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.

The minimum capital for a life insurance company's short-term business is the higher of:

18% of the portion of net premium 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 are 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 is the sum of:

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

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

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

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;

0.1% of the total sums at risk under term life policies, the coverage period of which expires within three years;

0.15% of the total sums at risk under term life policies, the coverage period of which expires within three to five years;

0.3% of the total sums at risk under term life policies, the coverage period of which will not expire within five years;

0.3% of the total sums at risk under whole life policies; and

0.3% of the sums at risk of all other insurance and annuity products with a coverage period longer than one year.

An insurance company with a solvency ratio below 100% may 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.

**Table of Contents**

If the solvency ratio is between 100% and 150%, the CIRC may require an insurance company to submit and implement a plan on the prevention of inadequate solvency. Where there is any significant insolvency risk in an insurance company with solvency ratio between 100% and 150% or higher than 150%, the CIRC may require the insurance company to take corrective actions or take other regulatory actions as the CIRC deems necessary. Insurance companies are required to calculate and report annually and quarterly to the CIRC their solvency level. In addition, an insurance company must submit a report to the CIRC within five working days after becoming aware that it is insolvent.

As of December 31, 2010, our solvency ratio was approximately 211.99%.

***Statutory deposits***

Insurance companies in China are required to deposit an amount equal to 20% of their registered capital with no more than three qualified commercial banks, each of which must, among other things, have registered capital of no less than RMB 4,000 million 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.

***Statutory insurance fund***

Chinese life insurance companies are required to contribute to a statutory insurance fund 0.15% of their premiums and accumulated policyholder deposits from life policies with guaranteed benefits, 0.05% of their premiums and accumulated policyholder deposits from life policies without guaranteed benefits, 0.8% of premiums from short-term health policies, 0.15% of premiums from long-term health policies, 0.8% of premiums from accident insurance contracts, 0.08% of their accumulated policyholder deposits from accident investment contracts with guaranteed benefits, and 0.05% of their accumulated policyholder deposits from accident investment contracts without guaranteed benefits. Contributions are not required once the total amount contributed in the statutory insurance fund reaches 1% of the insurance company's total assets.

***Statutory reserves***

In addition to the statutory deposit and the statutory insurance fund, insurance companies are required to provide for the following statutory reserves in accordance with regulations established by the CIRC: unearned premium reserves and reserves for claims and claim adjustment expense. These reserves are recorded as liabilities for purposes of determining an insurance company's actual solvency in accordance with regulatory rules.

***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.

**Table of Contents*****Actuaries***

Insurance companies are required to appoint one or more actuarial professionals, certified by the CIRC, and must establish a system for actuarial reporting.

***Regulation of corporate governance***

*Directors and senior management qualification requirements.* Directors, supervisors and senior management of an insurance company are subject to qualification requirements implemented by the CIRC.

*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.

*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. 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 management.* 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 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.

*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.

**Table of Contents**

*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 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 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. In August 2010, the CIRC issued new rules governing internal control of insurance companies. Under the new rules, an insurance company must establish an internal control evaluation system, and by April 30 of each year, an insurance company must submit to the CIRC an evaluation report on its internal control.

***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 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 debts 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. The issuer must comply with certain disclosure obligations both at the time of the issuance and during the term of the debts. The issuer may repay the debts only if its solvency ratio would remain at least 100% after the repayment of both principal and the interest.

**Table of Contents**

***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. Foreign-invested insurance companies may not, without the approval of the CIRC, engage in transactions with their affiliates, including reinsurance transactions and purchases and sales of assets. 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.

**Table of Contents**

***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 the greater of (1) RMB 30 million; and (2) 0.1% of the insurance funds it manages, provided that the minimum capital is not required to exceed RMB 500 million.

***Business operations***

An insurance asset management company may conduct the following businesses: (1) managing and operating insurance funds entrusted by its shareholders; (2) managing and operating insurance funds entrusted by another insurance company controlled by its shareholders; (3) managing and operating its own insurance funds; and (4) other businesses otherwise 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.



**Table of Contents**

***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 prohibited from using any agent not licensed by the CIRC to market its insurance products, and is responsible for the acts of its agents when the acts are within the scope of their agency. Licensed insurance agencies fall into three groups: dedicated agencies, non-dedicated agencies and individual agents. A dedicated agency is a company 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 banks and banking operations of post offices to act as non-dedicated insurance agencies.

An individual agent is an individual acting as agent for an insurer. To receive a license from the CIRC, the individual is required to hold a CIRC qualification certificate issued by the CIRC. In addition, the individual must not have committed any criminal offense or violation of any financial or insurance law or regulation and must be engaged in the insurance agency business full time. An individual insurance agent is permitted to act on behalf of only one life insurance company.

Approximately 99.8% of our individual agents hold a CIRC qualification certificate. In May 2004, the CIRC issued a circular requiring insurance companies to take effective measures in carrying out the qualification certification requirement. Furthermore, no insurance company may issue a company certificate to any person, identifying that person as its sales representative, if the person does not have a CIRC qualification certificate. Under the circular, we are also required to take appropriate measures to improve both the participation of our agents taking the qualification examination and their success rate, and to report to the CIRC on a quarterly basis the percentage of our agents holding a CIRC qualification certificate. In April 2006, the CIRC issued regulations on the administration of individual agents, effective July 1, 2006, in order to further strengthen the administration of individual agents. Under these regulations, insurance companies that retain individual agents without CIRC qualification certificates to engage in insurance sales activities will be warned and fined up to RMB 30,000, and the responsible members of senior management and other responsible personnel of such insurance companies will also be warned and fined up to RMB 10,000. In serious circumstances, the CIRC may order the insurance companies to remove the responsible members of senior management and other responsible personnel from office and reject any application for establishing branch offices by such insurance companies. At the end of 2007, the CIRC further required that no insurance company can enter into any agency agreement with an individual agent who is not holding a qualification certificate or engage the agent in any insurance sale activities. We are working with our agents who are not yet CIRC-qualified to obtain the CIRC qualification certificate.

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.

**Table of Contents**

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, which 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 the requirements set by the CIRC are authorized to act as insurance brokers.

***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. For accounting treatments of any transactions and items adopted in previous years which differ from those set out in the MOF's regulations, they should be retrospectively adjusted unless any such adjustment is not practicable under the circumstances.

***Audit by the PRC National Audit Office***

In 2010, 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) and certain of its branch offices for the year of 2009. On January 31, 2011, 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.

**Table of Contents**

**C. ORGANIZATIONAL STRUCTURE**

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

**Table of Contents****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 <sup>(2)</sup>	The People's Republic of China	92.2% <sup>(3)</sup> (directly and 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 87.4% and AMC, which is 60% owned by us, owns 4.8%

**Table of Contents**

**D. PROPERTY, PLANTS AND EQUIPMENT**

As of December 31, 2010, we owned and leased 3,549 and 13,967 properties respectively, and had 121 properties under construction. Among the 3,549 properties owned by us, 1,175 properties are leased to independent third parties (including partial leasing) while the remaining properties are mainly occupied by us as office premises.

On February 22, 2010, we entered into a new property leasing agreement with China Life Investment Holding Company Limited under substantially the same terms as the previous property leasing agreement which expired on December 31, 2009. Under the new property leasing agreement, which will expire on December 31, 2012, China Life Investment Holding Company Limited agreed to lease to us 2,182 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 life insurance, group life insurance, accident insurance and health insurance products. We had nearly 129 million individual and group life insurance policies, annuity contracts and long-term health insurance policies in force as of December 31, 2010. We also offer accident and short-term health insurance policies to individuals and groups.

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

*Individual life insurance*, which offers participating and non-participating life insurance and annuities to individuals. The financial results of our individual long-term health and long-term accident insurance business are also reflected in our individual life insurance business segment. Our individual life insurance business comprises long-term products, including long-term health and long-term accident insurance products, meaning products having a term of more than one year at the date of their issuance.

*Group life insurance*, which offers participating and non-participating life insurance and annuities products to companies and institutions. The financial results of our group long-term health and long-term accident insurance business are also reflected in our group life insurance business segment. Our group life insurance business comprises long-term products.

*Short-term insurance*, which offers short-term accident insurance and health insurance to individuals and groups. Our short-term insurance businesses comprise short-term products, meaning products having a term of one year or less at the date of their execution.

**Table of Contents**

In addition, AMC manages our investment assets and, separately, substantially all of those of CLIC, pursuant to two asset management agreements, one with us and one with CLIC. See Item 4. Information on the Company Business Overview Asset Management Business . CLPCIC engages in property and casualty insurance business. See Item 4. Information on the Company Business Overview Property and Casualty Business . China Life Pension engages in pension insurance business. See Item 4. Information on the Company Business Overview Pension Insurance Business .

**Financial Overview of Our Business**

We had total gross written premiums of RMB 318,229 million (US\$48,217 million) and net profit attributed to our equity holders of RMB 33,811 million (US\$5,123 million) for the year ended December 31, 2010. Our principal business segments had the following results:

*Individual life insurance* had total gross written premiums of RMB 302,781 million (US\$45,876 million) in 2010.

*Group life insurance* had total gross written premiums of RMB 473 million (US\$72 million) in 2010.

*Short-term insurance* had total gross written premiums of RMB 14,975 million (US\$2,269 million) in 2010.

Our business and the business of CLIC has been characterized by rapid growth of premium income over the past several years, particularly due to increased sales of participating products.

**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 82.4% of total revenues in 2010.

investment income and realized and, in some cases, unrealized gains and losses from our investment assets.

Investment income and net realized and unrealized gains and losses accounted for 16.8% of total revenues in 2010.

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;

**Table of Contents**

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.

In addition, we 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;

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 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, taxes, securities market conditions 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 a minimum interest or crediting rate to our policyholders or annuitants. These products expose us to the risk that changes in interest rates may reduce 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. The minimum rate we pay is established when the product is priced, subject to a cap set by the CIRC and which may be adjusted from time to time. Currently, the CIRC cap is 2.50%. If the rates of return on our investments fall below the minimum rates we guarantee, our profitability would be adversely affected. From the beginning of the year

**Table of Contents**

2010 to the date of this annual report, the PBOC increased the interest rates four times. The interest rate on one-year term deposits was raised from 2.25% to 3.25%. If the interest rates were to be increased further, but the CIRC did not raise the cap, sales of some of our products, including our non-participating products, could be adversely impacted. An increase in guaranteed rates caused by a rise in the CIRC cap may lead to an increase in surrenders and withdrawals of our existing products which offer rates lower than the new rates.

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.

Sustained levels of high or low interest rates also may affect the relative popularity of our various products. For example, the recent popularity of our participating products is partially driven by the protracted comparatively low interest rate environment in China and the 2.50% cap set by the CIRC on the guaranteed rates of return we may apply. The investment nature of the product, including the enhanced yield by means of dividends, has proven to be attractive to China's insurance buyers.

**Investments**

As an insurance company, we are limited by Chinese law and regulations in the types of assets in which we may invest policyholder funds. 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. We currently are prohibited from investing in other types of assets without the CIRC's approval. However, we understand that the CIRC is considering further easing these restrictions in the future. If the CIRC does so, this may permit us to invest in additional asset classes. Our only material concentration risk relates to our investments in Chinese government securities.

The limitations on the types of investments we are permitted to make affect the investment returns we are able to generate and subject us to various risks that we would not, or to a lesser extent, be subject to if we were able to invest in a wider array of investments. In particular, 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 believe that with the gradual easing of the investment restrictions imposed on insurance companies in China, such as the permission to invest in real property and equity interests of non-listed enterprises, our ability to match the duration of our assets to that of our liabilities will improve. We also seek to reduce 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.

Our results can be materially affected by investment impairments. The following table sets forth impairment charges, which are included in net realized gains and losses, for the years ended December 31, 2008, 2009 and 2010.

	<b>For the year ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>(RMB in millions)</b>		
Debt securities	2,023	200	76
Equity securities	(15,744)	(2,350)	(1,771)
<b>Total</b>	<b>(13,721)</b>	<b>(2,150)</b>	<b>(1,695)</b>



**Table of Contents**

During the year ended December 31, 2008, we recognized impairment expense of RMB 15,744 million of available for sale equity securities for which we determined that objective evidence of impairment existed. The value of certain debt securities increased in 2008. During the year ended December 31, 2008, RMB 2,023 million of previously recognized impairment losses relating to certain available for sale debt securities decreased. This decrease related objectively to certain events occurring after the impairment was recognized and as such the previously recognized impairment loss was reversed.

During the year ended December 31, 2009, we recognized impairment expense of RMB 2,350 million of available for sale equity securities for which we determined that objective evidence of impairment existed. Given the current market conditions, we believe that these securities may not recover in value in the near term and thus recorded the other-than-temporary impairment. These securities were not impaired due to company-specific events such as bankruptcies. During the year ended December 31, 2009, RMB 200 million of previously recognized impairment losses relating to certain available for sale debt securities entrusted to Min Fa Securities Co., Ltd., or Min Fa, decreased. As of December 31, 2008, we held RMB 400 million available for sale debt securities entrusted to Min Fa, which had been impaired entirely due to Min Fa's bankruptcy. During Min Fa's bankruptcy proceedings, we were granted certain shares listed on PRC stock changes with total fair value of RMB 200 million as of 31 December 2009 as a first distribution and accordingly RMB 200 million of the previously recognized impairment losses was reversed. During the year ended December 31, 2010, we recognized impairment expense of RMB 1,771 million of available for sale equity securities for which we determined that objective evidence of impairment existed. Given the current market conditions, we believe that these securities may not recover in value in the near term and thus recorded the other-than-temporary impairment. These securities were not impaired due to company-specific events such as bankruptcies. During the year ended December 31, 2010, RMB 76 million of previously recognized impairment losses was reversed.

Available-for-sale securities comprised of the following asset classes as of December 31, 2008, 2009 and 2010.

	2008		As of December 31, 2009		2010	
	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	73,130	80,006	50,623	51,996	57,727	57,871
Government agency bonds	180,135	191,121	167,312	165,231	145,522	145,538
Corporate bonds	64,388	67,505	103,603	102,553	127,225	125,423
Subordinated bonds/debt	17,265	17,588	21,198	21,045	26,541	25,620
<b>Subtotal</b>	<b>334,918</b>	<b>356,220</b>	<b>342,736</b>	<b>340,825</b>	<b>357,015</b>	<b>354,452</b>
<b>Equity securities</b>						
Funds	32,313	29,890	62,818	75,798	89,835	95,754
Common stocks	38,132	38,829	72,740	100,876	92,695	97,915
<b>Subtotal</b>	<b>70,445</b>	<b>68,719</b>	<b>135,558</b>	<b>176,674</b>	<b>182,530</b>	<b>193,669</b>
<b>Total</b>	<b>405,363</b>	<b>424,939</b>	<b>478,294</b>	<b>517,499</b>	<b>539,545</b>	<b>548,121</b>



**Table of Contents**

We had gross unrealized gains of RMB 24,692 million and gross unrealized losses of RMB 16,115 million as of December 31, 2010. We had gross unrealized gains of RMB 47,179 million and gross unrealized losses of RMB 9,157 million as of December 31, 2009. We had gross unrealized gains of RMB 31,854 million and gross unrealized losses of RMB 12,278 million as of December 31, 2008. The total unrealized losses as of December 31, 2010, 2009 and 2008 were 3.0%, 1.8% and 2.9% of total available-for-sale securities. The unrealized losses of December 31, 2010 related primarily to unfavorable market conditions and the decrease of the market value of debt securities resulting from the increase of interest rates. The SSE Index, a major stock exchange index in China, was at 2,808 points on December 31, 2010, which was a 14% decrease from 2009. The unrealized losses as of December 31, 2009 related primarily to the decrease of the market value of debt securities resulting from unfavorable market conditions. The SSE Index was at 3,277 points on December 31, 2009, which was a 80% increase from 2008. This resulted in a significant decrease in total unrealized losses of investment in equity securities. The unrealized losses as of December 31, 2008 related primarily to the sharp fall of the capital markets that year. We made substantially all of the revaluation adjustments on the basis of quoted market prices as of the relevant balance sheet dates.

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, 2010, 2009 and 2008.

<b>As of December 31, 2010</b>	<b>0-6 months</b>	<b>7-12 months</b>	<b>More than 12 months</b>	<b>Total</b>
	<i>(RMB in millions)</i>			
<b>Debt securities</b>				
Unrealized losses	4,818	310	3,337	8,465
Carrying amounts	151,936	3,857	36,120	191,913
Unrealized losses as a percentage of carrying amounts	3.17%	8.03%	9.24%	4.41%
<b>Equity securities</b>				
Unrealized losses	3,643	4,003		7,646
Carrying amounts	52,058	14,632		66,690
Unrealized losses as a percentage of carrying amounts	7.00%	27.36%		11.47%
<b>Total</b>				
Total unrealized losses	8,461	4,313	3,337	16,111
Total carrying amounts	203,994	18,489	36,120	258,604
Unrealized losses as a percentage of carrying amounts	4.15%	23.33%	9.24%	6.23%

<b>As of December 31, 2009</b>	<b>0-6 months</b>	<b>7-12 months</b>	<b>More than 12 months</b>	<b>Total</b>
	<i>(RMB in millions)</i>			
<b>Debt securities</b>				
Unrealized losses	(1,649)	(5,106)	(1,634)	(8,389)
Carrying amounts	84,785	79,207	16,397	180,389
Unrealized losses as a percentage of carrying amounts	1.95%	6.45%	9.96%	4.65%

**Equity securities**

Unrealized losses	(776)	(4)		(780)
Carrying amounts	13,350	104		13,454
Unrealized losses as a percentage of carrying amounts	5.81%	3.63%		5.80%

**Total**

Total unrealized losses	(2,425)	(5,110)	(1,634)	(9,169)
Total carrying amounts	98,135	79,311	16,397	193,843
Unrealized losses as a percentage of carrying amounts	2.47%	6.44%	9.96%	4.73%

76

**Table of Contents**

As of December 31, 2008	0-6 months	7-12 months	More than 12 months <i>(RMB in millions)</i>	Total
<b>Debt securities</b>				
Unrealized losses	(748)	(33)	(60)	(841)
Carrying amounts	21,627	2,414	3,236	27,277
Unrealized losses as a percentage of carrying amounts	3.46%	1.37%	1.85%	3.08%
<b>Equity securities</b>				
Unrealized losses	(5,943)	(5,205)		(11,148)
Carrying amounts	25,230	10,897		36,127
Unrealized losses as a percentage of carrying amounts	23.56%	47.77%		30.86%
<b>Total</b>				
Total unrealized losses	(6,691)	(5,238)	(60)	(11,989)
Total carrying amounts	46,857	13,311	3,236	63,404
Unrealized losses as a percentage of carrying amounts	14.28%	39.35%	1.85%	18.91%

Financial assets other than those accounted for as at fair value through income 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.

**Table of Contents**

Should we conclude that an unrealized loss is other-than-temporary, relevant financial assets are written down to their net realized value and charge is recorded in Net realized gains/(losses) 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, 2010, our total investment assets were RMB 1,336,245 million (US\$202,461 million) and the investment yield for the year ended December 31, 2010 was 5.11%. The investment yield primarily reflected the volatility of the stock markets and unfavorable debt securities markets. We have made relevant adjustments to the investment portfolio by increasing the proportion of investments in fixed-income assets, including negotiated deposits, corporate bonds, and subordinated bonds and adjusting the proportion of equity investments according to market conditions. As of December 31, 2009, our total investment assets were RMB 1,172,145 million and the investment yield for the year ended December 31, 2009 was 5.78%. The investment yield primarily reflected the sharp improvement in the equity securities markets and the fall of the debt securities markets in 2009. We have made relevant adjustments to the investment portfolio by increasing the proportion of investments in equity securities and decreasing the proportion of investments in debt securities. As of December 31, 2008, our total investment assets were RMB 937,403 million and the investment yield for the year ended December 31, 2008 was 3.48%. The investment yield primarily reflected the high valuation of the investment assets at the beginning of year 2008, the global financial crisis and the sharp fall of the capital market. We have made relevant adjustments to the investment portfolio by decreasing the proportion of investments in equity securities and increasing the proportion of fixed-income assets. For 2008, 2009 and 2010, we calculated the investment yields for a given year by dividing the investment income for that year by the average of the ending balance of investment assets of that year and the previous year.

**Mix of Products**

The following table sets forth, for the transferred and new policies, premium information as of or for the years ended December 31, 2008 2009 and 2010 by type of product in our individual life insurance business, group life insurance business and accident and health insurance business.

	As of or for the year ended				Annual growth rate (2008-2010)
	2008 RMB	2009 RMB	2010 RMB	2010 US\$	
<b>Individual life insurance business<sup>(1)</sup></b>					
<b>Whole life and term life insurance:</b>					
Gross written premiums	35,729	38,665	39,747	6,022	5.5%
<b>Endowment:</b>					
Gross written premiums	188,099	184,841	220,505	33,410	8.3%
<b>Annuities:</b>					
Gross written premiums	28,302	38,209	42,529	6,444	22.6%
<b>Group life insurance business<sup>(1)</sup></b>					
<b>Whole life and term life insurance:</b>					
Gross written premiums	299	172	452	68	23.0%



**Table of Contents**

	As of or for the year ended December 31,				Annual growth rate (2008-2010)
	2008 RMB	2009 RMB	2010 RMB	2010 US\$	
<b>Annuities:</b>					
Gross written premiums	41	18	21	3	(28.4)%
<b>Short-term insurance business<sup>(2)</sup></b>					
Accident gross written insurance premiums	6,221	7,076	7,657	1,160	10.9%
Health gross written insurance premiums	6,965	6,989	7,318	1,109	2.5%

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

(2) Including short-term health and accident 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 lower than those of non-participating products. In addition, changes in interest rates have less of an 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. Pursuant to 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. 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 receive under them are recorded in our consolidated income statement as policy fees, while the majority of the payments are recorded as deposits under financial liabilities on our balance sheet. Although deposits are a measure of business volume and contribute to our profitability, they are not reflected in our revenues.

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 such 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 .



**Table of Contents****Critical Accounting Policies**

We prepared the consolidated financial statements under the historical cost convention, as modified by 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. 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 judgment 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 financial statements that we believe are most dependent on the application of these judgments and estimates.

***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 liabilities for 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) The 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.
- (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 estimate of future inflation and the likely impact of our cost management.

On each reporting date, we review the assumptions for reasonable estimates of liability and risk margins, with consideration of all available information, and taking into account our historical experience and expectation of future events. Changes in assumptions are recognized in net profit. Assumptions for 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-29 in the 2010 Form 20-F provides a detailed analysis of impact of assumption changes on our operating results.

**Table of Contents**

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

Margin consists of a risk margin and a residual margin. Risk margin is the reserve accrued to compensate for the uncertain amount and timing of future cash flows. At the inception of the contract, the residual margin is calculated net of certain acquisition costs by us so that not to recognize any Day 1 gain. The residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from the best estimate of future discounted cash flows and risk margin. The assumption changes have no effect on the subsequent measurement of residual margin.

We have considered the impact of time value on the 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 returns are affected by the investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on reserve computation. In developing discount rate assumptions, we consider investment experience, current investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as our investment strategy. The assumed discount rate with risk margin ranges from 3.50% to 5.00% as at December 31, 2008, ranges from 4.40% to 5.00% as at December 31, 2009 and ranges from 4.58% to 5.00% as at December 31, 2010.

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, we use discount rate assumption to assess the time value impacts based on the yield curve of reserve computation benchmark for insurance contracts, published on China Bond website, with the consideration includes the liquidity spreads, taxation impacts and other relevant factors. The assumed discount rate with risk margin ranges from 2.81% to 4.95% as at December 31, 2008, ranges from 2.69% to 5.32% as at December 31, 2009 and ranges from 2.61% to 5.66% as at December 31, 2010.

The discount rate assumption is affected by certain factors, such as future macro-economy, fiscal policies, capital market results and availability of investment channels of our insurance funds. We determine 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 liability. Similarly, continuing advancements in medical care and social conditions could result in improvements in longevity that exceed those allowed for in the estimates used to determine the liability for contracts where we are exposed to longevity risk.

**Table of Contents**

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 secular trends.

Risk margin is considered in our mortality and morbidity assumptions.

The expense assumption has been based on expected unit costs with the consideration of risk margin. Our expense assumption is effected by actual experience and certain factors, such as inflation, market competition and other factors. Components of expense assumptions include cost per policy and percentage of premium. We have estimated the percentage of premiums costs to be 1.59% to 1.74% of premiums for individual life products and 1.54% for group life products for as at December 31, 2008; 1.05% to 1.17% of premiums for individual life products and 1.01% for group life products for as at December 31, 2009; and 0.90% to 1.00% of premiums for individual life products and 0.86% for group life products for as at December 31, 2010, in each case plus a fixed per-policy expense.

The lapse rates and other assumptions are effected by certain factors, such as future macro-economic trends, availability of financial substitutions, market competition and other factors, which bring uncertainty to lapse rates and other assumptions. The lapse rates and other assumptions are determined with reference to past experience where creditable, current conditions, future expectations and other information obtained at the end of each reporting period.

We adopted consistent process used to determine assumptions for the insurance contracts, which are detailed in Note 13 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 follow the existing reserves calculation methodology as allowed under IFRS 4 for insurance contracts, and the non-insurance components are accounted for as investment contracts, which are recognized in the investment contracts liabilities.

**Table of Contents*****Investment Contracts***

Revenue from investment contracts with or without discretionary participating features is recognized as policy fee income, which consists of various charges including, among others, policy fees, handling fees and management fees, during the period. Excess charges over 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 with or without discretionary participating features 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 income. Debt securities and equity securities other than those classified as held-to-maturity or securities at fair value through income 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 income.* This category has two sub-categories: securities held for trading and those designated at fair value through income 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 it forms 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 income if they meet certain 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 other than those that meet the definition of loans and receivables 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 income.

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

Securities other than those accounted for as at fair value through income are adjusted for impairments, where there are declines in value that are considered to be an impairment. In evaluating whether a decline in value is an impairment for debt securities and equity securities, we consider several factors including, but not limited to the following:

(a) significant financial difficulty of the issuer or debtor; (b) a breach of contract, such as a default or delinquency in payments; (c) it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization; and (d) 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/(losses) 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 the net profit. The impairment losses recognized in net profit on equity instruments are not reversed through the net profit.

**Table of Contents**

As of December 31, 2010, debt securities of RMB 109,620 million contain guarantees issued by third parties and, of those, 65.8% 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, 63.1% relates to a guarantee issued by a Chinese government ministry for 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.

*Term deposits (excluding structured deposits), loans and securities purchased or sold under agreements to resell or repurchase.* The carrying amounts of these assets in the statement of financial position approximate fair values.

*Structured deposits.* As the market for structured deposits is not active, we establish fair value by using discounted cash flow analysis and option pricing models as the valuation technique. We use the U.S. dollar swap rate, the benchmark rate, to determine the fair value of financial instruments.

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 internal valuation models, provide a theoretical quote on various securities.

We utilize one pricing service for all of our 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. 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, 2010, we did not consider it necessary to adjust the prices obtained from our pricing service.

As at December 31, 2010, RMB 433,492 million of RMB 506,530 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 (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.

**Table of Contents**

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 and the results of these models, 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

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. Contracts for which the period of risk differs significantly from the contract period recognize premiums over the period of risk in proportion to the amount of insurance protection provided.

*Policy fee income.* Revenue from investment contracts is recognized as policy fee income, which consists of various charges (including policy fees, handling fees, management fees) over the period during which service is provided. Excess charges over certain acquisition costs are 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 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 and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**Table of Contents****Recently Issued Accounting Standards**

The following revised standards are mandatory for the first time for the financial year beginning January 1, 2010.

IFRS 3 (Revised), Business combinations, and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes, such as the recognition and measurement of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the acquisition-related costs.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

We adopted these revised standards on January 1, 2010 and they did not have any material impacts on our financial position and comprehensive income.

**Inflation**

According to the China Statistical Bureau, China's overall national inflation rates, as represented by the general consumer price index, were approximately 3.3%, (0.7%), 5.9%, 4.8% and 1.5% in 2010, 2009, 2008, 2007 and 2006, respectively. Inflation has not had a significant effect on our business during the past two 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, 2010 Compared with Year Ended December 31, 2009**

	For the year ended December 31,	
	2009 RMB	2010 RMB
	<i>(in millions)</i>	
<b>Total Revenues</b>		
Net premiums earned	275,077	318,088
Individual life insurance business	261,694	302,753
Group life insurance business	189	468
Short-term insurance business	13,194	14,867
Investment income	38,890	48,872
Investment income from securities at fair value through income	335	126
Investment income from available-for-sale securities	16,688	20,173
Investment income from held-to-maturity securities	9,882	10,538
Investment income from term deposits	10,805	16,363
Investment income from loans	1,172	1,583
Other investment income	8	89
Net realized gains/(losses) on financial assets	21,244	15,841
Net fair value gains/(losses) through income	1,449	280
Other income	2,630	2,757
<b>Total</b>	<b>339,290</b>	<b>385,838</b>





**Table of Contents**

***Net Premiums Earned***

Net premiums earned increased by RMB 43,011 million, or 15.6%, to RMB 318,088 million in 2010 from RMB 275,077 million in 2009.

***Individual Life Insurance Business***

Net premiums earned from the individual life insurance business increased by RMB 41,059 million, or 15.7%, to RMB 302,753 million in 2010 from RMB 261,694 million in 2009. This was primarily due to the increase in first-year regular premiums and renewal premiums. The first-year regular premiums increased by RMB 12,447 million, or 31.3%. The renewal premiums increased by RMB 22,548 million, or 21.4%.

***Group Life Insurance Business***

Net premiums earned from the group life insurance business increased by RMB 279 million, or 147.6%, to RMB 468 million in 2010 from RMB 189 million in 2009. This was primarily due to a considerable increase in premiums from group term life insurance products and whole life insurance products.

***Short-term Insurance Business***

Net premiums earned from short-term insurance business increased by RMB 1,673 million, or 12.7%, to RMB 14,867 million in 2010 from RMB 13,194 million in 2009. This was primarily due to our increased efforts on the development of short-term accident insurance business.

***Investment Income***

Investment income increased by RMB 9,982 million, or 25.7%, to RMB 48,872 million in 2010 from RMB 38,890 million in 2009.

***Investment Income from Securities at Fair Value through Income***

Investment income from securities at fair value through income decreased by RMB 209 million, or 62.4%, to RMB 126 million in 2010 from RMB 335 million in 2009. This was primarily due to a decrease in interest income from debt securities at fair value through income.

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

Investment income from available-for-sale securities increased by RMB 3,485 million, or 20.9%, to RMB 20,173 million in 2010 from RMB 16,688 million in 2009. This was primarily due to an increase in dividends from available-for-sale securities investment funds and an increase in interests income from available-for-sale debt securities.

**Table of Contents*****Investment Income from Held-to-Maturity Securities***

Investment income from held-to-maturity securities increased by RMB 656 million, or 6.6%, to RMB 10,538 million in 2010 from RMB 9,882 million in 2009. This was primarily due to the increased volume of our investment in debt securities.

***Investment Income from Term Deposits***

Investment income from term deposits increased by RMB 5,558 million, or 51.4%, to RMB 16,363 million in 2010 from RMB 10,805 million in 2009. This was primarily due to the increased volume of deposits and an increase in the floating interest rates of deposits.

***Investment Income from Loans***

Investment income from loans increased by RMB 411 million, or 35.1%, to RMB 1,583 million in 2010 from RMB 1,172 million in 2009. This was primarily due to the increased volume of policy loans business.

***Net Realized Gains/(Losses) on Financial Assets***

Net realized gains/(losses) on financial assets decreased by RMB 5,403 million, or 25.4% to RMB 15,841 million in 2010 from RMB 21,244 million in 2009. This was primarily due to a decrease in income from the purchases and sales of available for sale debt securities and stocks resulting from the volatility of the capital markets.

***Net Fair Value Gains/(Losses) Through Income***

Our net fair value gains/(losses) through income decreased by RMB 1,169 million, or 80.7%, to RMB 279 million in 2010 from RMB 1,449 million in 2009. This was primarily due to a decrease in unrealized profits from stocks and funds at fair value through income resulting from the volatility of the capital markets.

***Other Income***

Other income increased by RMB 127 million, or 4.8%, to RMB 2,757 million in 2010 from RMB 2,630 million in 2009. This was primarily due to an increase in income from asset management fees of the AMC.

	For the year ended December 31,	
	2009 RMB	2010 RMB
	<i>(in millions)</i>	
<b>Benefits, Claims and Expenses</b>		
Insurance benefits and claims		
Life insurance death and other benefits	74,858	71,237
Accident and health claims and claim adjustment expenses	7,808	8,740
Increase in insurance contracts liabilities	154,372	199,655
Investment contracts benefits	2,142	1,950
Policyholder dividends resulting from participation in profits	14,487	13,224
Underwriting and policy acquisition costs	22,936	27,256
Administrative expenses	18,719	20,285
Other operating expenses	2,390	3,655
Statutory insurance fund contribution	537	599
<b>Total</b>	<b>298,249</b>	<b>346,601</b>
Segment information of insurance benefits and claims		
Individual life insurance business	228,968	270,341
Group life insurance business	262	551
Short-term insurance business	7,808	8,740
<b>Total</b>	<b>237,038</b>	<b>279,632</b>

**Table of Contents*****Insurance Benefits and Claims***

Insurance benefits and claims, net of amounts ceded through reinsurance, increased by 41,373 million, or 18.1%, to RMB 270,341 million in 2010 from RMB 228,968 million in 2009.

Life insurance death and other benefits payouts decreased by RMB 3,621 million, or 4.8%, to RMB 71,237 million in 2010 from RMB 74,858 million in 2009. This was primarily due to a decrease in maturity payouts. Maturity payouts decreased by RMB 6,939 million, or 14.8%, compared with that in 2009. Accident and health claims and claim adjustment expenses increased by 932 RMB million, or 11.9%, to RMB 8,740 million in 2010 from RMB 7,808 million in 2009. This was primarily due to an increase in business volume and the accumulation of insurance liabilities. Increase in insurance contracts liabilities increased by RMB 45,283 million, or 29.3%, to RMB 199,655 million in 2010 from RMB 154,372 million in 2009. This was primarily due to a RMB 41,349 million increase in premium income from insurance contracts and an increase in interests accredited to insurance contract liabilities, but offset in part by a RMB 10,687 million increase in the release of liabilities. The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of reserves for claims and claim adjustment expenses). In addition, increase in insurance contract liabilities increased by RMB 1,703 million from 2009 due to changes in assumptions. Risk margin is recalculated based on updated assumptions at the reporting date, with the resulting changes being recognized in the income statement.

***Individual Life Insurance Business***

Insurance benefits and claims attributable to individual life insurance business increased by RMB 41,373 million, or 18.1%, to RMB 270,341 million in 2010 from RMB 228,968 million in 2009. This was primarily due to an increase in business volume and the accumulation of insurance liabilities.

***Group Life Insurance Business***

Insurance benefits and claims attributable to group life insurance business increased by RMB 289 million, or 110.3%, to RMB 551 million in 2010 from RMB 262 million in 2009. This was primarily due to an increase in claims payments resulting from an increase in the volume of one-year term insurance products.

***Short-term Insurance Business***

Insurance benefits and claims attributable to the short-term insurance business increased by RMB 932 million, or 11.9%, to RMB 8,740 million in 2010 from RMB 7,808 million in 2009. This was primarily due to an increase in business volume.

**Table of Contents****Investment Contract Benefits**

Investment contract benefits decreased by RMB 192 million, or 9.0%, to RMB 1,950 million in 2010 from RMB 2,142 million in 2009. This was primarily due to a decrease in investment yield resulting from the volatility of the capital market.

**Policyholder Dividends Resulting from Participation in Profits**

Policyholder dividends resulting from participation in profits decreased by RMB 1,263 million, or 8.7%, to RMB 13,224 million in 2010 from RMB 14,487 million in 2009. This was primarily due to a decrease in investment yield for participating products.

**Underwriting and Policy Acquisition Costs**

Underwriting and policy acquisition costs increased by RMB 4,320 million, or 18.8%, to RMB 27,256 million in 2010 from RMB 22,936 million in 2009. This was primarily due to business development and adjustment of business structure.

**Administrative Expenses**

Administrative expenses include employees' remuneration and other administrative expenses. Administrative expenses increased by RMB 1,566 million, or 8.4%, to RMB 20,285 million in 2010 from RMB 18,719 million in 2009. This was primarily due to the increase in business volume.

**Other Operating Expenses**

Other operating expenses, which primarily consist of foreign exchange losses and expenses for non-core business, increased by RMB 1,265 million, or 52.9%, to RMB 3,655 million in 2010 from RMB 2,390 million in 2009. This was primarily due to an increase in foreign exchange losses, interest payments for accumulated dividends and interest payments for securities sold under agreements to repurchase.

<b>Profit</b>	<b>For the year ended December 31,</b>	
	<b>2009 RMB</b>	<b>2010 RMB</b>
	<i>(in millions)</i>	
Profit before income tax	41,745	41,008
Individual life insurance business	39,769	37,690
Group life insurance business	467	740
Short-term insurance business	420	385
Other business	1,089	2,193
Income tax	8,709	7,197
Net profit attributable to equity holders of the company	32,881	33,626

**Profit before Income Tax**

Our profit before income tax decreased by RMB 737 million, or 1.8%, to RMB 41,008 million in 2010 from RMB 41,745 million in 2009.

**Table of Contents****Individual Life Insurance Business**

Profit before income tax in the individual life insurance business decreased by RMB 2,079 million, or 5.2%, to RMB 37,690 million in 2010 from RMB 39,769 million in 2009. This was primarily due to an increase in underwriting cost.

**Group Life Insurance Business**

Profit before income tax in the group life insurance business increased by RMB 273 million, or 58.5%, to RMB 740 million in 2010 from RMB 467 million in 2009. This was primarily due to a favorable adjustment of group insurance business structure.

**Short-term Insurance Business**

Profit before income tax in short-term insurance business decreased by RMB 35 million, or 8.3%, from RMB 385 million in 2010 from RMB 420 million in 2009. This was primarily due to increased market competition and an increase in claims payments.

**Income Tax**

We pay income tax according to applicable Chinese enterprise income tax regulations and rules. Income tax decreased by RMB 1,512 million, or 17.4%, to RMB 7,197 million in 2010 from RMB 8,709 million in 2009. This was primarily due to an increase in non-taxable income. Our effective tax rate for 2010 was 17.55%.

**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 745 million, or 2.3%, to RMB 33,626 million in 2010 from RMB 32,881 million in 2009. This was primarily due to our steady business development, optimization of our business structure and appropriate allocation of our investment assets.

<b>Major Assets</b>	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Investment assets	1,172,145	1,336,245
Term deposits	344,983	441,585
Held-to-maturity securities	235,099	246,227
Available-for-sale securities	517,499	548,121
Securities at fair value through income	9,133	9,762
Cash and cash equivalents	36,197	47,854
Loans	23,081	36,543
Statutory deposits-restricted	6,153	6,153
Other assets	54,112	74,334
<b>Total</b>	<b>1,226,257</b>	<b>1,410,579</b>

**Investment Assets**

Our total investment assets increased by RMB 164,100 million, or 14.0%, to RMB 1,336,245 million in 2010 from RMB 1,172,145 million in 2009.

**Table of Contents****Term Deposits**

Term deposits increased by RMB 96,602 million, or 28.0%, to RMB 441,585 million in 2010 from RMB 344,983 million in 2009. This was primarily due to our increased efforts for investment in negotiated deposits with floating interest rates.

**Held-to-Maturity Investments**

Held-to-maturity investments increased by RMB 11,128 million, or 4.7%, to RMB 246,227 million in 2010 from RMB 235,099 million in 2009. This was primarily due to an increase in the volume of held-to-maturity debt securities.

**Available-for-Sale Securities**

Available-for-sale assets increased by RMB 30,622 million, or 5.9%, to RMB 548,121 million in 2010 from RMB 517,499 million in 2009. This was primarily due to an increase in the volume of available-for-sale funds and debt securities.

**Securities at Fair Value Through Income**

Securities at fair value through income increased by RMB 629 million, or 6.9%, to RMB 9,762 million in 2010 from RMB 9,133 million in 2009. This was primarily due to the increased volume of debt securities at fair value through income.

**Cash and Cash Equivalents**

Cash and cash equivalents increased by RMB 11,657 million, or 32.2%, to RMB 47,854 million in 2010 from RMB 36,197 million in 2009. This was primarily due to the demand of investment assets allocation and liquidity management.

**Loans**

Loans increased by RMB 13,462 million, or 58.3%, to RMB 36,543 million in 2010 from RMB 23,081 million in 2009. This was primarily due to an increase in the demand of policy loans.

**Major Liabilities**

	<b>As of December 31,</b>	
	<b>2009</b>	<b>2010</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Liabilities	1,013,481	1,200,104
Liabilities of insurance contracts	818,164	1,018,135
Investment contracts	67,326	70,171
Securities sold under agreements to repurchase	33,553	23,065
Policyholder dividends payable	54,587	52,828
Annuity and other insurance balances payable	5,721	8,275
Deferred tax liabilities	16,361	11,776
Other liabilities	17,769	15,854

**Liabilities**

Our total liabilities increased by RMB 186,623 million, or 18.4%, to RMB 1,013,481 million in 2010 from RMB 1,200,104 million in 2009.

**Table of Contents**

***Liabilities of Insurance Contracts***

Liabilities of insurance contracts increased by RMB 199,971 million, or 24.4%, to RMB 1,018,135 million in 2010 from RMB 818,164 million in 2009. This was primarily due to an increase in insurance business volume and the accumulation of insurance liabilities. As at the balance sheet date, our reserves for insurance contracts satisfied liability adequacy test.

***Investment Contracts***

Investment Contracts increased by RMB 2,845 million, or 4.2%, to RMB 70,171 million in 2010 from RMB 67,326 million in 2009. This was primarily due to an increase in business volume.

***Securities sold under agreements to repurchase***

Securities sold under agreements to repurchase decreased by RMB 10,488 million, or 31.3%, to RMB 23,065 million in 2010 from RMB 33,553 million in 2009. This was primarily due to the liquidity management demand.

***Policyholder Dividends Payable***

Policyholder dividends payable decreased by RMB 1,759 million, or 3.2%, to RMB 52,828 million in 2010 from RMB 54,587 million in 2009. This was primarily due to a decrease in unrealized profit of available-for-sale securities and our payment of policy dividends.

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

Annuity and other insurance balances payable increased by RMB 2,554 million, or 44.6%, to RMB 8,275 million in 2010 from RMB 5,721 million in 2009. This was primarily due to the accumulation of insurance liabilities.

***Deferred Tax Liabilities***

Deferred tax liabilities decreased by RMB 4,585 million, or 28.0%, to RMB 11,776 million in 2010 from 16,361 million in 2009. This was primarily due to a decrease in unrealized profit of available-for-sale securities.

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

As of December 31, 2010, equity attributable to equity holders of the Company was RMB 208,710 million and decreased by RMB 2,362 million, or 1.1%, from RMB 211,072 million as of December 31, 2009. This was primarily due to a decrease of the fair value of available-for-sale securities resulting from the volatility of the capital markets and distribution of dividends to equity holders last year.

**Table of Contents****Year Ended December 31, 2009 Compared with Year Ended December 31, 2008**

	For the year ended December 31,	
	2008 RMB	2009 RMB
<b>Total Revenues</b>	<i>(in millions)</i>	
Net premiums earned	265,177	275,077
Individual life insurance business	252,133	261,694
Group life insurance business	339	189
Short-term insurance business	12,725	13,194
Investment income	44,946	38,890
Investment income from securities at fair value through income	902	335
Investment income from available-for-sale securities	22,636	16,688
Investment income from held-to-maturity securities	9,245	9,882
Investment income from term deposits	11,378	10,805
Investment income from loans	696	1,172
Net realized gains/(losses) on financial assets	(5,964)	21,244
Debt securities	2,445	3,346
Equity securities	(8,409)	17,898
Net fair value gains/(losses) through income	(7,194)	1,449
Debt securities	300	(277)
Equity securities	(7,494)	1,726
Other income	3,420	2,630
<b>Total</b>	<b>300,385</b>	<b>339,290</b>

**Net Premiums Earned**

Net premiums earned increased by RMB 9,900 million, or 3.7%, to RMB 275,077 million in 2009 from RMB 265,177 million in 2008. This increase was primarily due to an increase in insurance business volume.

**Individual Life Insurance Business**

Net premiums earned from the individual life insurance business increased by RMB 9,581 million, or 3.8%, to RMB 261,694 million in 2009 from RMB 252,113 million in 2008. This increase was primarily due to the adjustment of our business structure to focus more on sales of products with regular premiums, which resulted in a more steady increase of our first-year premiums and renewal premiums.

**Group Life Insurance Business**

Net premiums earned from the group life insurance business decreased by RMB 150 million, or 44.2%, to RMB 189 million in 2009 from RMB 339 million in 2008. This decrease was primarily due to the adjustment of our business development strategies to focus more on development of risk-type products and to reduce the proportion of group annuity products.

**Short-term Insurance Business**

Net premiums earned from short-term insurance business increased by RMB 469 million, or 3.7%, to RMB 13,194 million in 2009 from RMB 12,725 million in 2008. Net premiums earned from the accident insurance business increased by RMB 864 million, or 14.3%, to RMB 6,886 million in 2009 from RMB 6,022 million in 2008 and net premiums earned from the health insurance business decreased by RMB 395 million, or 5.9%, to RMB 6,308 million in 2009 from RMB 6,703 million in 2008. These increases were primarily due to our increased development efforts for accident and health insurance business.

**Investment Income**

Investment income decreased by RMB 6,056 million, or 13.5%, to RMB 38,890 million in 2009 from RMB 44,946 million in 2008. The investment yield for the year ended December 31, 2009 was 5.78%, a 2.30 percentage point increase from the investment yield of 3.48% for the year ended December 31, 2008.





**Table of Contents**

***Investment Income from Securities at Fair Value through Income***

Investment income from securities at fair value through income decreased by RMB 567 million, or 62.9%, to RMB 335 million in 2009 from RMB 902 million in 2008. This was primarily due to a decrease in the total volume of securities at fair value through income and a decrease of dividends from securities investment funds.

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

Investment income from available-for-sale securities decreased by RMB 5,948 million, or 26.3%, to RMB 16,688 million in 2009 from RMB 22,636 million in 2008. This was primarily due to a decrease of dividends from securities investment funds.

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

Investment income from held-to-maturity securities increased by RMB 637 million, or 6.9%, to RMB 9,882 million in 2009 from RMB 9,245 million in 2008. This was primarily due to an increase in interest income resulting from favorable structural adjustments of our investments in debt securities.

***Investment Income from Term Deposits***

Investment income from term deposits decreased by RMB 573 million, or 5.0%, to RMB 10,805 million in 2009 from RMB 11,378 million in 2008. This was primarily due to a decrease in interest income from deposits resulting from a decline in interest rates.

***Investment Income from Loans***

Investment income from loans increased by RMB 476 million, or 68.4%, to RMB 1,172 million in 2009 from RMB 696 million in 2008. This was primarily due to an increase in interest income from investments in bonds investment programs.

***Net Realized Gains/(Losses) on Financial Assets***

Net realized gains/(losses) on financial assets increased by RMB 27,208 million to RMB 21,244 million in 2009 from RMB (5,964) million in 2008.

***Debt Securities***

Net realized gains/(losses) on financial assets from debt securities increased by RMB 901 million, or 36.9%, to RMB 3,346 million in 2009 from RMB 2,445 million in 2008. This was primarily due to an increase in income from the purchase and sale of debt securities resulting from our adjustment of debt investment strategies by taking advantage of market opportunities.

***Equity Securities***

Net realized gains/(losses) on financial assets from equity securities increased by RMB 26,307 million to RMB 17,898 million in 2009 from RMB (8,409) million in 2008. This was primarily due to an increase in income from the purchase and sale of stocks and fund interests by taking advantage of favorable stock market conditions and a decrease in assets impairment.

**Table of Contents****Net Fair Value Gains/(Losses) Through Income**

We reflect net fair value gains/(losses) through income in current year income. Our net fair value gains/(losses) through income increased by RMB 8,643 million to RMB 1,449 million in 2009 from RMB (7,194) million in 2008.

**Debt Securities**

Net fair value gains/(losses) through income from debt securities decreased by RMB 577 million, or 192.3%, to RMB (277) million in 2009 from RMB 300 million in 2008. This was primarily due to a decrease of the market value of debt securities (held-for trading) resulting from unfavorable market conditions.

**Equity Securities**

Net fair value gains/(losses) through income from equity securities increased by RMB 9,220 million to RMB 1,726 million in 2009 from RMB (7,494) million in 2008. This was primarily due to an increase of unrealized profits from stocks and fund interests resulting from favorable market conditions.

**Other Income**

Other income decreased by RMB 790 million, or 23.1%, to RMB 2,630 million in 2009 from RMB 3,420 million in 2008. This was primarily due to a decrease in policy fee income from investment contracts.

	<b>For the year ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
<b>Benefits, Claims and Expenses</b>		
Insurance benefits and claims	231,949	237,038
Individual life insurance business	223,805	228,968
Group life insurance business	503	262
Short-term insurance business	7,641	7,808
Investment contract benefits	1,931	2,142
Policy dividends resulting from participation in profits	1,671	14,487
Underwriting and policy acquisition costs	24,200	22,936
Administrative expenses	16,652	18,719
Other operating expenses	3,409	2,390

**Insurance Benefits and Claims**

Insurance benefits and claims, net of amounts ceded through reinsurance, increased by RMB 5,089 million, or 2.2%, to RMB 237,038 million in 2009 from RMB 231,949 million in 2008.

Life insurance death and other benefits decreased by RMB 14,801 million, or 16.5%, to RMB 74,858 million in 2009 from RMB 89,659 million in 2008. This was primarily due to a decrease in maturity payouts. Maturity payouts decreased by RMB 14,474 million, or 24.7%, compared with that in 2008. Accident and health claims and claim adjustment expenses increased by RMB 167 million, or 2.2%, to RMB 7,808 million in 2009 from RMB 7,641 million in 2008. This was primarily due to growth in short-term insurance business. Increase in insurance contracts liabilities increased by RMB 19,723 million, or 14.6%, to RMB 154,372 million in 2009 from RMB 134,649 million in 2008. This was primarily due to a RMB 9,435 million increase in premium income reflecting accumulation of insurance liabilities for future obligations and a RMB 12,809 million decrease in the release of liabilities reflecting lower insurance benefit payouts. In addition, changes in assumptions also reduced increase in insurance contract liabilities by RMB 4,365 million. Risk margin is recalculated based on updated assumptions at the reporting date, with changes are recognized in net profit.

**Table of Contents**

***Individual Life Insurance Business***

Insurance benefits and claims for the individual life insurance business increased by RMB 5,163 million, or 2.3%, to RMB 228,968 million in 2009 from RMB 223,805 million in 2008. This increase was primarily due to an increase in business volume and the accumulation of insurance liabilities.

***Group Life Insurance Business***

Insurance benefits and claims for the group life insurance business decreased by RMB 241 million, or 47.9%, to RMB 262 million in 2009 from RMB 503 million in 2008. This decrease was primarily due to the adjustment of our mix of products to reduce the business volume of group annuity products, which in turn resulted in a decrease of insurance benefits and claims for group annuity products.

***Short-term Insurance Business***

Insurance benefits and claims for the short-term insurance business increased by RMB 167 million, or 2.2%, to RMB 7,808 million in 2009 from RMB 7,641 million in 2008. This increase was primarily due to an increase in business volume.

***Investment Contract Benefits***

Investment contract benefits increased by RMB 211 million, or 10.9%, to RMB 2,142 million in 2009 from RMB 1,931 million in 2008. This increase was primarily due to an increase in average account balances resulting from the increased volume of investment contracts issued.

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

Policyholder dividends resulting from participation in profits increased by RMB 12,816 million, or 767.0%, to RMB 14,487 million in 2009 from RMB 1,671 million in 2008. This increase was primarily due to an increase in the investment yield for participating products.

***Underwriting and Policy Acquisition Costs***

Underwriting and policy acquisition costs decreased by RMB 1,264 million, or 5.2%, to RMB 22,936 million in 2009 from RMB 24,200 million in 2008. This decrease was primarily due to the adjustment of our product structure and improvement of our sales approach. Underwriting and policy acquisition costs were approximately 8.3% and 9.1% of net premiums earned in 2009 and 2008, respectively.

***Administrative Expenses***

Administrative expenses include employees' remuneration and other administrative expenses. Administrative expenses increased by RMB 2,067 million, or 12.4%, to RMB 18,719 million in 2009 from RMB 16,652 million in 2008. This increase primarily reflected business development and increased market competition.

**Table of Contents****Other Operating Expenses**

Other operating expenses, which primarily consist of foreign exchange losses and expenses for non-core business, decreased by RMB 1,019 million, or 29.9%, to RMB 2,390 million in 2009 from RMB 3,409 million in 2008. This decrease primarily reflected a decrease in foreign exchange losses resulting from a relatively stable interest rate.

<b>Profit</b>	<b>For the year ended December 31,</b>	
	<b>2008 RMB</b>	<b>2009 RMB</b>
	<i>(in millions)</i>	
Profit before income tax	19,959	41,745
Individual life insurance business	19,075	39,769
Group life insurance business	81	467
Short-term insurance business	596	420
Income tax	685	8,709
Net profit attributable to equity holders of the company	19,137	32,881

**Profit before Income Tax**

Our profit before income tax increased by RMB 21,786 million, or 109.2%, to RMB 41,745 million in 2009 from RMB 19,959 million in 2008.

**Individual Life Insurance Business**

Profit before income tax in the individual life insurance business increased by RMB 20,694 million, or 108.5%, to RMB 39,769 million in 2009 from RMB 19,075 million in 2008. This was primarily due to an increase in investment yields resulting from favorable capital market conditions.

**Group Life Insurance Business**

Profit before income tax in the group life insurance business increased by RMB 386 million, or 476.5%, to RMB 467 million in 2009 from RMB 81 million in 2008. This was primarily due to the adjustment of our business strategies to focus more on sales of risk-type insurance products which are more profitable and an increase in investment yields resulting from favorable capital market conditions.

**Short-term Insurance Business**

Profit before income tax in short-term insurance business decreased by RMB 176 million, or 29.5%, from RMB 420 million in 2009 from RMB 596 million in 2008. This was primarily due to increased market competition.

**Income Tax**

We pay income tax according to applicable Chinese enterprise income tax regulations and rules. Income tax, including current and deferred taxations, increased by RMB 8,024 million, or 1,171.4%, to RMB 8,709 million in 2009 from RMB 685 million in 2008. This increase was primarily due to an increase in profit before income tax, a decrease in non-taxable income and an increase in additional tax liability from expenses not deductible for tax purposes. Non-taxable income mainly includes interest income from government bonds and distribution from securities investment funds. The non-taxable income decreased by RMB 1,897 million, or 41.9%, to RMB 2,627 million in 2009 from RMB 4,524 million in 2008.

**Table of Contents**

Expenses not deductible for tax purposes mainly include commissions, brokerage and donation expenses in excess of deductible amounts as allowed by relevant tax regulations. Expenses not deductible for tax purposes increased by RMB 324 million, or 165.3%, to RMB 520 million in 2009 from RMB 196 million in 2008.

Our effective tax rate for 2009 was 20.86%, which increased by 14.8 percentage points from an effective tax rate for 2008 of 6.1%. The increase was primarily due to a decrease in non-taxable income and an increase in additional tax liability from expenses not deductible for tax purposes.

**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 13,744 million, or 71.8%, to RMB 32,881 million in 2009 from RMB 19,137 million in 2008. This increase was primarily due to an increase in investment yield resulting from favorable capital market conditions.

<b>Major Assets</b>	<b>As of December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Investment assets	937,403	1,172,145
Term deposits	228,272	344,983
Held-maturity investments	211,929	235,099
Available-for-sale securities	424,939	517,499
Securities at fair value through income	14,099	9,133
Cash and cash equivalents	34,085	36,197
Loans	17,926	23,081

**Investment Assets**

Our total investment assets increased by RMB 234,742 million, or 25.0%, to RMB 1,172,145 million in 2009 from RMB 937,403 million in 2008.

**Term Deposits**

Term deposits increased by RMB 116,711 million, or 51.1%, to RMB 344,983 million in 2009 from RMB 228,272 million in 2008. This increase was primarily due to our increased efforts for investment in negotiated deposits with floating interest rates.

**Held-to-Maturity Investments**

Held-to-maturity investments increased by RMB 23,170 million, or 10.9%, to RMB 235,099 million in 2009 from RMB 211,929 million in 2008. This was primarily due to an increase in our total investment assets.

**Available-for-Sale Securities**

Available-for-sale assets increased by RMB 92,560 million, or 21.8%, to RMB 517,499 million in 2009 from RMB 424,939 million in 2008. This was primarily due to an increase in our total investment assets.

**Table of Contents*****Securities at Fair Value Through Income***

Securities at fair value through income decreased by RMB 4,966 million, or 35.2%, to RMB 9,133 million in 2009 from RMB 14,099 million in 2008. This was primarily due to a decrease in the volume of held-for-trading fund interests.

***Cash and Cash Equivalents***

Cash and cash equivalents increased by RMB 2,112 million, or 6.2%, to RMB 36,197 million in 2009 from RMB 34,085 million in 2008. This was primarily due to an increase in the total investment assets offset in part by the decrease of the proportion of cash and cash equivalents in the total investment assets resulting from our substantially increased investment in negotiated deposits.

***Loans***

Loans increased by RMB 5,155 million, or 28.8%, to RMB 23,081 million in 2009 from RMB 17,926 million in 2008. This was primarily due to the increased demand for policy loans.

<b>Major Liabilities</b>	<b>As of December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>RMB</b>	<b>RMB</b>
	<i>(in millions)</i>	
Liabilities	812,622	1,013,000
Liabilities of insurance contracts	662,865	818,164
Financial liabilities	76,453	100,879
Policyholder dividends payable	43,178	54,587
Annuity and other insurance balance payable	4,980	5,721
Deferred tax liabilities	10,344	16,361

***Liabilities***

Our total liabilities increased by RMB 200,859 million, or 24.7%, to RMB 1,013 billion in 2009 from RMB 812,622 million in 2008.

***Liabilities of Insurance Contracts***

Liabilities of insurance contracts increased by RMB 155,299 million, or 23.4%, to RMB 818,164 million in 2009 from RMB 662,865 million in 2008. This was primarily due to an increase in business volume and the accumulation of insurance liabilities.

***Financial Liabilities***

Financial liabilities increased by RMB 24,426 million, or 31.9%, to RMB 100,879 million in 2009 from RMB 76,453 million in 2008. This was primarily due to an increase in securities sold under agreements to repurchase.

***Policyholder Dividends Payable***

Policyholder dividends payable increased by RMB 11,409 million, or 26.4%, to RMB 54,587 million in 2009 from RMB 43,178 million in 2008. This was primarily due to an increase in investment yield for participating products and an increase in unrealized profit of financial assets (available for sale).

**Table of Contents**

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

Annuity and other insurance balances payable increased by RMB 741 million, or 14.9%, to RMB 5,721 million in 2009 from RMB 4,980 million in 2008. This was primarily due to the accumulation of insurance liabilities.

***Deferred Tax Liabilities***

Deferred tax liabilities increased by RMB 6,017 million, or 58.2%, to RMB 16,361 million in 2009 from 10,344 million in 2008. This was primarily due to an increase in unrealized profit from financial assets (available for sale).

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

As of December 31, 2009, equity attributable to equity holders of the Company was RMB 211,072 million and increased by RMB 37,125 million, or 21.3%, from RMB 173,947 million as of December 31, 2008. This increase was primarily due to an increase in business volume and investment yields.

**B. LIQUIDITY AND CAPITAL RESOURCES**

**Liquidity Sources**

Our principal cash inflows come from insurance premiums, deposits, proceeds from sales and maturity of financial assets and investment income. The primary liquidity concerns 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 .

Additional sources of liquidity to meet unexpected cash outflows are available from our investment portfolio. As of December 31, 2010, the amount of cash and cash equivalents was RMB 47,854 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, 2010, the amount of term deposits was RMB 441,585 million. As of December 31, 2010, investments in debt securities had a fair value of RMB 606,269 million.

Our investment portfolio also provides us with a source of liquidity to meet unexpected cash outflows. As of December 31, 2010, investments in equity securities had a fair value of RMB 195,918 million and investments in debt securities had a fair value of RMB 606,269 million. However, the PRC securities market is still at an early stage of development, and we are subject to market liquidity risk because the market capitalization and trading volumes of the public exchanges are relatively lower than those in more developed financial markets. 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. From time to time some of our positions in our investment securities may be large enough to have an influence on the market value. These factors may limit our ability to sell these investments at an adequate price, or at all.

**Liquidity Uses**

Our principal cash outflows primarily relate to the liabilities associated with our various life insurance, annuity and accident and health insurance products, dividends and interest payments on our insurance policies and annuity contracts, operating expenses, income taxes and dividends that may be declared and payable to our shareholders. Liabilities 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.



**Table of Contents****Consolidated Cash Flows**

We 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.

The following sets forth information regarding consolidated cash flows for the periods indicated.

Net cash inflow from operating activities was RMB 178,600 million in 2010, an increase of RMB 28,900 million from RMB 149,700 million in 2009. This increase was primarily due to an increase in written premiums and a decrease in claims payments.

Net cash outflow from investing activities was RMB 135,937 million in 2010, a decrease of RMB 27,814 million from RMB 163,751 million in 2009. This decrease was primarily due to the demand of investment management.

Net cash outflow used in financing activities was RMB 30,681 million in 2010, a change of RMB 46,848 million from net cash inflow of RMB 16,167 million in 2009. This change was primarily due to an increase in distributions of cash dividends in 2010 and 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 substantial part of the cash proceeds from our global offering was held in bank deposit accounts denominated in foreign currencies in China, part of the cash proceeds was invested in stocks listed on overseas stock exchanges, and part of the cash proceeds was invested in debt securities denominated in foreign currencies. We gradually converted approximately US\$300 million of the cash proceeds into Renminbi to reduce foreign exchange risks. We invested approximately US\$433 million, in addition to RMB 2,282 million, in Guangdong Development Bank in December 2006. We used approximately HK\$5.8 billion for investments in Sino-Ocean Land Holdings Limited during its target offering in 2009.

Our A share offering in December 2006 provided cash proceeds of approximately RMB 27,810 million. As at the end of 2010, the cash proceeds from our A share offering were used to increase our share capital.

**Ratio of Assets and Liabilities**

Our ratio of assets and liabilities (total liabilities divided by total assets) as at December 31, 2008, December 31, 2009 and December 31, 2010 are as follows:

	<b>As at December 31, 2008</b>	<b>As at December 31, 2009</b>	<b>As at December 31, 2010</b>
Ratio of assets and liabilities	82.29%	82.65%	85.08%

**Table of Contents****Insurance Solvency Requirements**

The solvency ratio of an insurance company is a measure of capital adequacy, which is calculated by dividing the actual capital of the company (which is its admissible assets less admissible liabilities, determined in accordance with relevant CIRC rules) 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 ratio as of December 31, 2008, 2009 and 2010:

	<b>As of December 31, 2008</b>	<b>As of December 31, 2009</b>	<b>As of December 31, 2010</b>
		<i>(RMB in millions, except percentage data)</i>	
Actual capital	124,561	147,119	123,769
Minimum capital	40,154	48,459	58,385
Solvency ratio	310.21%	303.59%	211.99%

The decrease in our solvency ratio was primarily due to an increase in the minimum capital requirement resulting from our business development, payment of dividends in 2010 and the volatility of the capital markets in 2010.

**Contractual Obligations and Commitments**

The following table sets out our contractual obligations and commitments as of December 31, 2010.

<b>As of December 31, 2010</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	23,065				23,065
Annuity and other insurance balances payable	8,275				8,275
Insurance contracts	(12,805)	59,027	98,822	1,679,736	1,824,780
Investment contracts	15,566	18,495	14,320	47,219	95,600
Off balance sheet operating leases	338	365	88	42	833
Capital commitments	4,847	235			5,082
<b>Total</b>	<b>39,286</b>	<b>78,122</b>	<b>113,230</b>	<b>1,726,997</b>	<b>1,957,635</b>

Capital commitments represent our commitments with respect to the acquisition of property, plant and equipment.

The amounts set forth in the table above for insurance contracts and investment contracts in each column are the cash flows representing expected future benefit payments on policies in force as at December 31, 2010, relating to premiums received through December 31, 2010. No consideration is given to future premiums payments and the cash flows resulting therefrom, even though in the case for traditional insurance policies and certain investment contracts, the receipt of such premiums is necessary for the policies to remain in full force. 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 payments. Many of these assumptions are inherently uncertain and outside our control. Accordingly, the actual experience may differ from our estimates.



**Table of Contents**

Furthermore, as the benefit payments reported in the table above are not discounted from the date of payment back to December 31, 2010 and do not reflect the impact of future premiums, the sum of these payment amounts are different from the amount of corresponding liabilities in our consolidated balance sheet as of December 31, 2010. 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, 2010.

**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. The changes in these assumptions resulted in an increase of RMB 6.4 billion in profit before income tax in 2010, an increase of RMB 8.1 billion in profit before income tax in 2009 and an increase of RMB 3.7 billion in profit before income tax in 2008. The sensitivity analysis of these assumptions is as follows:

holding all other variables constant, if mortality rates and morbidity rates increase or decrease from current best estimates by 10%, pre-tax profit for the year would have been RMB 9,993 million or RMB 10,435 million lower or higher.

holding all other variables constant, if lapse rates increase or decrease from current best estimates by 10%, pre-tax profit for the year would have been RMB 5,862 million or RMB 6,221 million lower or higher.

holding all other variables constant, if the discount rates are 50 basis points higher or lower than current best estimates, pre-tax profit for the year would have been RMB 26,858 million or RMB 31,084 million higher or lower. See also Note 4.1.3 and Note 13(c) to our consolidated financial statements included elsewhere in this annual report.

**E. OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2010, we had not entered into any off-balance sheet arrangements.

**F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

See Liquidity and Capital Resources Contractual Obligations and Commitments .

**Table of Contents****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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Yang Chao	61	Chairman of the board of directors and executive director
Wan Feng	52	President and executive director
Lin Dairen	52	Vice President and executive director
Liu Yingqi	53	Vice President, executive director and secretary of the board of directors
Miao Jianmin	46	Non-executive director
Shi Guoqing	59	Non-executive director
Zhuang Zuojin	59	Non-executive director
Ma Yongwei	69	Independent director
Sun Changji	69	Independent director
Bruce Douglas Moore	62	Independent director
Anthony Francis Neoh	65	Independent director
Liu Jiade	48	Vice president
Zhou Ying	57	Vice president
Su Hengxuan	48	Vice president
Miao Ping	53	Vice president
Shao Hwei-Chung	57	Chief actuary
Xu Hengping	52	Chief operating officer

**Directors**

**Yang Chao** has been our chairman since July 2005, the president of CLIC since May 2005 and the chairman of CLPCIC since December 2006. Between May 2005 and January 2006, he was our president. Between 2000 and 2005, Mr. Yang was the chairman and general manager of both China Insurance (Holdings) Company Limited and China Insurance H.K. (Holding) Company Limited. Mr. Yang graduated from Shanghai International Studies University and Middlesex University in the United Kingdom, majored in English and business administration, and obtained a Master's degree in business administration. Mr. Yang, a senior economist, has more than 30 years of experience in the insurance and banking industries, and was awarded a special allowance by the State Council. He is currently the vice president of National Association of Financial Market Institutional Investors, the chairman of the Chairmanship of China Federation of Industrial Economics, a member of Shanghai International Financial Center Construction Advisory Committee, a member of Association for Relations Across the Taiwan Straits and the vice president of China Silver Industry Association.

**Wan Feng** has been our president since September 2007. He is also a vice president of CLIC, a director of AMC, a director of CLPCIC, a director of China Life Pension and a director of GDB. He has been an executive director of our company since June 2006. Prior to serving as our president, he served as a vice president of our company since 2003. Mr. Wan has been in charge of our daily operations and management as authorized by board resolution since January 31, 2007. Mr. Wan received a BA degree in economics from Jilin College of Finance and Trade, a MBA from Open University of Hong Kong, and a doctorate in finance from Nankai University in Tianjin. Mr. Wan, a senior economist, has 29 years of experience in the life insurance industry and has previously worked at our Jilin branch, Shenzhen branch, Hong Kong branch and Hong Kong Taiping Life Insurance Company. He was awarded a special allowance by the State Council. He is currently the director of China Life Charity Foundation, the deputy director of China Association of Actuaries, a deputy director of Insurance Association of China, an executive director of Insurance Institute of China and a director of China Insurance Guarantee Fund Committee.



**Table of Contents**

**Lin Dairen** has been an executive director of our company since October 27, 2008. Mr. Lin has served as a vice president of our company since 2003, and as the executive director and president of China Life Pension from November 2006. Mr. Lin graduated in 1982 with a bachelor's degree in medicine from Shandong Province Changwei Medical Institute. Mr. Lin, a senior economist, has 29 years of experience in the life insurance industry and has accumulated extensive experience in operations and management. He is currently the executive director of the Insurance Institute of China, the executive director of the Labor Institute of China and the executive director of Peking University China Center for Insurance and Social Security Research.

**Liu Yingqi** has been an executive director of our company since October 27, 2008. Ms. Liu has served as a vice president of our company since January 2006, and as the Secretary of our board of directors since May 30, 2008. Ms. Liu has been a director of China Life Pension since November 2006. Between August 2003 and January 2006, Ms. Liu was the chairperson of our board of supervisors. Ms. Liu graduated with a BA in economics from Anhui University in 1982. Ms. Liu, a senior economist, has extensive experience in operation and management and over 24 years of experience in the operation and management of life insurance businesses and insurance administration. She is currently a director of the Insurance Institute of China.

**Miao Jianmin** has been a non-executive director of our company since October 27, 2008. Mr. Miao has been a vice president of CLIC since December 2005. Currently he also serves as the chairman of both AMC and China Life Franklin Asset Management Company Limited, the Chinese alternate representative of ABAC (APEC Business Advisory Council), the director of the Insurance Association of China, the director of China Finance 40 Forum and a member of the expert panel for the planning of the PBOC's "Five-year Program for Development and Reform of the Financial Industry". He was awarded a special allowance by the State Council. He is one of the state-level candidates for the New Century Talents Projects of 2009 and one of the 60 people in China Insurance Industry in the 60-year History of New China. Mr. Miao graduated from the post-graduate division of the PBOC with a major in money and banking. He studied in the insurance faculty of Central University of Finance and Economics from 1982 to 1986. Mr. Miao is a senior economist.

**Shi Guoqing** has been a non-executive director of our company since 2004. Mr. Shi is also a vice president of CLIC from August 2003, and the chairman of China Life Insurance (Overseas) Co., Ltd., director of Beijing Oriental Plaza Company Limited, director of Hong Kong Huiyen Holding Company Limited, director of China World Trade Center Limited, director of China World Trade Center Company Limited, director of China World Trade Investments Limited, chairman of Shanghai PICC Tower Limited, and director of Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. Mr. Shi graduated from Foreign Trade and Business College of Beijing in 1976. Mr. Shi, a senior economist, has over 30 years of experience in the insurance industry, and has accumulated extensive experience in the operation and management of insurance businesses.

**Zhuang Zuojin** has been a non-executive director of our company since June 2006, and has served as a vice president of CLIC from August 2003 and a director of AMC from June 2004. She has acted as a director of China Life Franklin Asset Management Company Limited from May 2006. Ms. Zhuang graduated from Correspondence College of CCP School, majored in economics and management and studied probability and statistics (major in insurance actuary) in Zhejiang University from September 1998 to January 2000. Ms. Zhuang, a senior accountant, has worked in the insurance industry for over 30 years, and has accumulated extensive experience in the operation and management of insurance businesses. She is currently the vice president of Financial Accounting Society of China.

**Table of Contents**

**Ma Yongwei** has been an independent director of our company since 2006. Mr. Ma has been a member of the Standing Committee of National Committee of Chinese People's Political Consultative Conference since 2003. He was the chairman of the CIRC from 1998 to 2002. From 1996 to 1998, he served as the chairman and president of former China Insurance Group Company, from 1994 to 1996 as the chairman and president of former People's Insurance Company of China and from 1984 to 1994 served as the governor of Agricultural Bank of China. Mr. Ma graduated from finance department of Liaoning Finance and Economic University in 1966. Mr. Ma, a researcher, has over 38 years of experience in the banking industry and the insurance industry.

**Sun Changji** has been an independent director of our company since May 2009. From January 1968, Mr. Sun worked in Sichuan Oriental Turbine Factory, serving as a section head, workshop director, deputy factory manager and factory manager. In July 1991, he was appointed as the deputy director-general of the production department of the Ministry of Machinery Industry of China, and he became the vice minister of the Ministry of Machinery Industry of China in April 1993. In April 1998, he became the first deputy director-general of the State Administration of Machinery Industry of China (deputy ministerial level). He became the deputy party secretary and vice president (deputy ministerial level) of Bank of China in January 1999. From September 1999 to August 2001, he served concurrently as the president of China Orient Asset Management Corporation. He became the vice chairman of Bank of China in November 2000, the vice chairman of Bank of China (Hong Kong) Limited in September 2001 and the secretary of commission for disciplinary inspection of Bank of China in June 2003 concurrently. From August 2004, he has served primarily as the vice chairman of Bank of China (Hong Kong) Limited and the vice chairman of China Machinery Industry Federation concurrently. Mr. Sun, now a researcher-level senior engineer, graduated from Tsinghua University in September 1966.

**Bruce Douglas Moore** has been an independent director of our company since May 2009. From 2002 to 2007, Mr. Moore was partner-in-charge of Asian actuarial services for Ernst & Young. He was based in Beijing for this job. He had served in actuarial leadership roles with Ernst & Young in New York and Tokyo. From 1995 to 2000, he was the head of international actuarial services in New York with Ernst & Young. In 2000, Mr. Moore worked with Ernst & Young in Beijing and was in charge of the business in Asian markets (including Japan). In 2001, he was responsible for Japan actuarial services in Tokyo. In 2002, he was responsible for Asian actuarial services (excluding Japan actuarial services) in Beijing. From 1982 to 1995, he worked in various senior financial management roles at Prudential Life Insurance (U.S.). Mr. Moore graduated from Brown University in 1971, with a major in applied mathematics. Mr. Moore is an FSA, FCAS, MAAA and CFA. Mr. Moore has over 35 years of experience serving the insurance industry as an executive or a consultant.

**Anthony Francis Neoh** has been an independent director of our company since June 2010. Mr. Neoh currently serves as a member of the International Consultation Committee of the CSRC. Prior to that, he served as a chief advisor to the CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of China and Chairman of the Hong Kong Securities and Futures Commission. From 1996 to 1998, he was the chairman of the Technical Committee of the International Organization of Securities Commissions. He was appointed as Queen's Counsel (now known as Senior Counsel) in Hong Kong in 1990. Mr. Neoh graduated from the University of London with an honours degree in Law in 1976. He is a barrister of England and Wales and admitted to the State Bar of California. In 2003, he was conferred the degree of Doctor of Laws, honoris causa by the Chinese University of Hong Kong. He was elected as Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences in 2009. Mr. Neoh was a non-executive director of Global Digital Creations Holdings Limited from November 2002 to December 2005, and an independent non-executive director of the Link Management Limited and manager of the Link Real Estate Investment Trust, from September 2004 to March 2006. Since August 2004, he has been serving as an independent non-executive director of Bank of China Limited, and since November 2004, he has been serving as an independent non-executive director of China Shenhua Energy Co Limited.



**Table of Contents****Supervisors**

The following table sets forth information regarding our current supervisors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Xia Zhihua	55	Chairperson of board of supervisors
Shi Xiangming	52	Supervisor
Yang Hong	44	Employee representative supervisor
Wang Xu	44	Employee representative supervisor
Tian Hui	59	Supervisor

**Xia Zhihua** has been a supervisor of our company since January 2006 and the chairperson of our board of supervisors since March 2006. Ms. Xia served as the State Council's representative in CLIC, designated supervisor of bureau level grade official and office director of the board of supervisors of China Export & Credit Insurance Corporation from August 2003 to December 2005. Ms. Xia had 16 years work experience in the State Ministry of Finance relating to economic and financial management and 6 years of working experience as the State Council's representative in the board of supervisors of state-owned important financial institutions. Ms. Xia graduated from department of economics at Xiamen University in 1982 and received a BA degree in politics and economics. She graduated from department of economics at Xiamen University in 1984 and received a MA degree in world economics.

**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 our 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.

**Yang Hong** has been a supervisor of our company since October 2006 and is currently the deputy general manager (in charge) of our research and development center. From July 2003 to January 2011, Ms. Yang served as assistant general manager, deputy general manager of our business management department and general manager of our customer service department. Ms. Yang graduated in the computer department of Jilin University with a bachelor's degree.

**Wang Xu** has been a supervisor of our company since May 2009 and the office director of our company since April 2009. He served as the deputy office director in charge, deputy general manager of the group life insurance sales department, and deputy chief, chief and deputy general manager of the health insurance department of our company from January 1999 to April 2009. He also served as a doctor-in-charge of the orthopedics department of China Aerospace Central Hospital from 1989 to 1999. Mr. Wang graduated from Suzhou Medical Institute with a bachelor's degree in medicine in 1989 and obtained a financial MBA degree from Chinese University of Hong Kong in 2004. Mr. Wang is an associate senior doctor.

**Table of Contents**

**Tian Hui** has been a supervisor of our company since June 2004. He is currently the director and party secretary of China Coal International Engineering Research Institute. He was the director and party secretary of China Coal International Engineering Research Institute from June 2006 to April 2008 and director and deputy party secretary of China Coal International Engineering Research Institute from 2000 to 2006. Mr. Tian obtained a bachelor's degree from Fuxin Minery School and a doctor's degree from China University of Mining & Technology Beijing respectively. Mr. Tian is a professor-level senior engineer and a master of China construction design, and was awarded a special allowance by the State Council.

**Senior Management**

**Wan Feng**, see Directors and Senior Management Directors for his profile.

**Lin Dairen**, see Directors and Senior Management Directors for his profile.

**Liu Yingqi**, see Directors and Senior Management Directors for her profile.

**Liu Jiade** has been a vice president of our company since 2003 and a director of AMC from June 2004. Mr. Liu has served as a director of China Life Franklin Asset Management Company Limited since May 2006, and as a director of GDB since December 2006. He became the vice director of the finance bureau of the Ministry of Finance since 2000. Mr. Liu is a graduate of Central Finance College in 1984 (now Central University of Finance and Economics), with a bachelor's degree in public finance. He is currently a director of the Insurance Institute of China and a member of the State Ministry of Finance Accounting Informationization Committee.

**Zhou Ying** has been a vice president of our company since August 2008 and served as the secretary of our commission for disciplinary inspection since November 2006. Mr. Zhou served as the director of the Fifth Office (at deputy bureau level) and as a designated supervisor at (deputy bureau level) in Beijing State-owned Enterprise Supervisory Committee from May 2004 to November 2006. Mr. Zhou graduated from University of Science and Technology of China with a MBA.

**Su Hengxuan** has been a vice president of our company since August 2008. Mr. Su served as assistant to president of our Company from January 2006 to July 2008. Mr. Su has acted as a director of CLPCIC since November 2006 and a director of Insurance Professional College since December 2006. He was the general manager of our individual life insurance business department from 2003 to 2006. Mr. Su graduated from Banking School, Henan Province in 1983 and graduated from Wuhan University in 1998 with a bachelor's degree in insurance and finance, majored in insurance. Mr. Su, a senior economist, has over 28 years of experience in the Chinese life insurance industry and insurance management. He is currently the chairman of the Insurance Marketing Association of the Insurance Association of China.

**Miao Ping** has been a vice president of our company since December 2009. He served as the general manager of our Jiangsu branch from September 2006. Mr. Miao served as the general manager of our Jiangxi branch from September 2004 and as a deputy general manager of our Jiangsu branch from April 2002. Mr. Miao graduated from the Correspondence College of Yangzhou University in 1996, majored in economics and management. Mr. Miao, a senior economist, has 30 years of experience in the operation of life insurance business and the management of insurance business.

**Hwei-Chung Shao** has been our chief actuary since March 2007. Prior to that, Ms. Shao was a senior deputy president and chief actuary of subsidiaries of the Prudential Financial Group of the United States, and has accumulated extensive working experience in insurance companies. She acted as the president and senior officer of many actuary societies, and obtained the qualifications of CFA (Chartered Financial Consultant), CERA (Chartered Enterprise Risk Analyst), CEBS (Certified Employee Benefit Specialist), CHFC (Chartered Financial Consultant), CLU (Chartered Life Underwriter), MAAA (Member of the American Academy of Actuaries), FSA (Fellow of the Society of Actuaries), etc. Ms. Shao obtained a bachelor's degree from National Chengchi University in Taiwan and a master's degree from the University of Iowa, U.S. She is currently a member of Society of Actuaries of Greater China.

**Table of Contents**

**Xu Hengping** has been the chief operating officer of our company since August 2010. Mr. Xu served as the general manager of our Fujian branch since April 2007. Mr. Su served as the deputy general manager of our Fujian branch since December 2002 and assistant to the general manager of our Fujian branch since September 1998. Mr. Xu graduated in 2004 with a major in finance from Hunan University Network College. Mr. Xu has over 30 years experience in Chinese life insurance management industry. He 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 compensations paid to each of our directors and supervisors for the fiscal year ended December 31, 2010. The total compensation package for our chairman of the board of directors, chairman of the board of supervisors and executive directors for the year ended December 31, 2010 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, 2010. We will make further disclosure of the amount of the final compensation when it is determined.

<b>Name</b>	<b>Salaries/Fees</b>	<b>Inducement Fees In RMB</b>	<b>Other<sup>(1)</sup> Benefits</b>	<b>Compensation for loss of office as director</b>	<b>Total</b>
Yang Chao	774,600		385,900		1,160,500
Wan Feng	734,400		361,200		1,095,600
Lin Dairen	693,600		341,500		1,035,100
Liu Yingqi	693,600		359,900		1,053,500
Miao Jianmin					
Shi Guoqing					
Zhuang Zuojin					
Sun Shuyi <sup>(2)</sup>					
Ma Yongwei					
Sun Changji					
Bruce Douglas Moore	320,000				320,000
Anthony Francais Neoh	175,000				175,000
Xia Zhihua	693,600		341,800		1,035,400
Shi Xiangming	587,800		291,900		879,700
Yang Hong	562,200		289,800		852,000
Wang Xu	562,200		272,500		834,700
Tian Hui	150,000				150,000
<b>Total</b>	<b>5,947,000</b>		<b>2,644,500</b>		<b>8,591,500</b>

(1) Include benefits-in-kind, social insurance and housing fund to be paid by the employer.

(2) Resigned as the independent director on June 30, 2010.



**Table of Contents**

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 and assistant to our president who are not our directors and our chief operating officer, chief actuary and chairman of the communist party disciplinary commission, for the year ended December 31, 2010. The total compensation package for our executive officers for the year ended December 31, 2010 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, 2010. We will make further disclosure of the amount of the final compensation when it is determined.

The HKSE Listing Rules do not require the disclosure of compensation of senior management on an individual basis. The following information was disclosed by us in our A share annual report for the fiscal year ended December 31, 2010.

<b>Name</b>	<b>Total In RMB</b>
Liu Jiade	1,054,400
Zhou Ying	1,035,100
Su Hengxuan	1,047,800
Miao Ping	1,021,000
Hwei-Chung Shao	3,381,800
Xu Hengping	421,700
<b>Total</b>	<b>7,961,800</b>

The aggregate amount of compensation we paid to our five highest paid individual employees, including three directors and two senior management members during the year ended December 31, 2010, was approximately RMB 7,745,800 (US\$1,173,606). The amount of compensation we paid to our highest paid individual employee, during the year ended December 31, 2010 was approximately RMB 3,381,800 (US\$512,394).

**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.

We have set up a comprehensive performance management system. A performance appraisal method for officers of our headquarters is used to appraise the performance of the officers annually based on the achievement of insurance contract objectives. Measures for such appraisal include a quantitative index for business performance as well as a qualitative index for management performance. Specifically, the business performance index includes our major business indices, establishing a connection between the achievement of our major business targets and the officers performance appraisal.

In accordance with relevant policies of the PRC government, no stock appreciation rights of our company were granted or exercised in 2010.

For other details of senior management compensation, please refer to Item 6. Directors, Senior Management and Employees Compensation Senior Management Compensation System in our annual report on Form 20-F for the fiscal year ended December 31, 2007, as filed on April 25, 2008.

**Table of Contents**

**C. BOARD PRACTICES**

**General**

Our board of directors consists of eleven 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 term of our current board of directors started in May 2009 and will expire in May 2012. 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. 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.

**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 to implement and recommend the engagement or replacement of external auditors. Our audit committee is currently comprised of Bruce Douglas Moore, Sun Changji and Ma Yongwei. Mr. Bruce Douglas Moore serves as the chairman.

The primary duties of the nomination and remuneration committee are to review and recommend the nomination of our directors and senior officers, as well as to formulate the training and remuneration policy for our senior management. Our nomination and remuneration committee is currently comprised of Sun Changji, Bruce Douglas Moore and Miao Jianmin. Mr. Sun Changji serves as the chairman.

The primary duties of the risk management committee are to assist the management in managing our internal and external risks. Our risk management committee is currently comprised of Anthony Francis Neoh, Zhuang Zuojin and Liu Yingqi. Mr. Anthony Francis Neoh serves as the chairman.

The primary duties of the strategy and investment decision committee are to formulate our overall development plans and investment decision-making procedures. Our strategy and investment decision committee is currently comprised of Ma Yongwei, Wan Feng, Shi Guoqing, Lin Dairen and Anthony Francis Neoh. Mr. Ma Yongwei serves as the chairman.

**Table of Contents****D. EMPLOYEES**

As of December 31, 2008, 2009 and 2010, we had approximately 102,000, 104,500 and 103,220 employees, respectively. The following table sets forth the number of our employees by their functions as of December 31, 2010.

	As of December 31					
	2008		2009		2010	
	Number of employees	% of total	Number of employees	% of total	Number of employees	% of total
Management and administrative staff	20,250	19.81%	21,450	20.52%	19,793	19.18%
Financial and auditing staff	7,663	7.50%	7,967	7.62%	7,432	7.20%
Sales and marketing staff <sup>(1)</sup>	25,473	24.92%	26,320	25.18%	26,298	25.48%
Underwriters, claim specialists and customer service staff	38,797	37.96%	39,329	37.54%	37,670	36.49%
Other professional and technical staff <sup>(2)</sup>	3,680	3.60%	3,800	3.64%	3,837	3.72%
Other	6,378	6.24%	5,759	5.51%	8,190	7.93%
<b>Total</b>	<b>102,241</b>	<b>100%</b>	<b>104,535</b>	<b>100%</b>	<b>103,220</b>	<b>100%</b>

(1) Includes direct sales representatives.

(2) Includes actuaries, product development personnel, investment management personnel and information technology specialists.

As of December 31, 2008, 2009 and 2010, we had approximately 716,000, 777,000 and 706,000 exclusive agents, respectively. The decrease in the number of our exclusive agents from 2009 to 2010 was primarily due to the strengthened performance review conducted by us in 2010, as a result of which a number of exclusive agents with lower productivity level left.

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 sets forth information regarding the ownership of our share capital as of April 10, 2011 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%





**Table of Contents**

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, the depositary bank, as of December 31, 2010 and April 10, 2011, there were, respectively, 19,346,962 ADRs representing 290,204,430 H shares, with 27 registered holders, and 19,258,271 ADRs representing 288,874,065 H shares, with 28 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 6% equity interest in China Life Pension and a 100% equity interest in China Life Investment Holding Company Limited, or IHC. CLIC, AMC, China Life Pension and IHC are therefore considered as our connected persons under the HKSE Listing Rules. On February 22, 2010, we entered into a new property leasing agreement with IHC. On December 30, 2010, we entered into a new asset management agreement with AMC. We also continued to carry out certain other continuing related party transactions with CLIC, AMC and IHC in the reporting period. These transactions constitute connected transactions for us under the HKSE Listing Rules. Details of these transactions with CLIC, AMC and IHC are set forth below.

As at the date of this annual report, we own a 20% equity interest in Guangdong Development Bank, or GDB. We entered into three negotiated deposit agreements with GDB in July 2010, December 2010 and February 2011, respectively. In December 2010, we made capital injection of RMB 2,999 million to GDB. We also continued to carry out continuing related party transactions with GDB in the reporting period. These transactions are not regarded as connected transactions for us under the HKSE Listing Rules. Details of the transactions with GDB 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 28 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.

**Table of Contents**

Under the non-competition agreement between CLIC and us, CLIC agreed to dispose of all of its 51% interest in China Life-CMG Life Assurance Company Ltd. to third parties or eliminate any competition between China Life-CMG Life Assurance Company Ltd. and us within three years of our listing on the HKSE. China Life-CMG Life Assurance Company Ltd. was a sino-foreign joint venture of CLIC and CMG, an Australian insurance company. The joint venture is registered in Shanghai, China and is engaged in the business of life insurance and related reinsurance in Shanghai. On January 27, 2010, the transfer of CLIC's equity interest in this joint venture to Bank of Communications Co., Ltd. was completed.

**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, 2010. On December 30, 2010, we entered into a new asset management agreement with AMC on substantially the same terms for a one-year term expiring on December 31, 2011. Subject to the HKSE Listing Rules, the agreement will be automatically renewed for a successive one-year term, unless either party give the other party no less than 90 days prior written notice to terminate the agreement at the expiration of the then current term. A detailed discussion of the material terms of the asset management agreement between AMC and us is set forth in Note 28 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 annual cap in respect of the service fees to be paid by us to AMC under the asset management agreement for the year ending December 31, 2011 is RMB 900 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 will be effective until December 31, 2011. A detailed discussion of this agreement is set forth in Note 28 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 annual cap in respect of the service fees to be paid by CLIC to AMC under the asset management agreement for the year ending December 31, 2011 is RMB 300 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 market.

**Continuing Related Party Transaction with IHC**

We have entered into a property leasing agreement with CLIC on September 30, 2003, pursuant to which CLIC agreed to lease to us (1) 833 buildings owned by CLIC, its subsidiaries and affiliates, which we refer to as the CLIC owned properties, and (2) 1,764 buildings that CLIC is entitled to sublet, which we refer to as the CLIC leased properties.

We renewed the agreement under substantially the same terms on December 23, 2005 and January 4, 2007 and amended the agreement on January 8, 2008. Under the renewed and amended agreement, which expired on December 31, 2009, CLIC agreed to lease to us 2,011 CLIC owned properties and 85 CLIC leased properties. CLIC transferred all of its rights and obligations in the CLIC owned properties and CLIC leased properties to IHC on June 30, 2008, and IHC was substituted for CLIC as a party to the property leasing agreement.

**Table of Contents**

A detailed discussion of the terms of this agreement is set forth in Note 28 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 February 22, 2010, we entered into a new property leasing agreement with IHC under substantially the same terms as the previous property leasing agreement which expired on December 31, 2009. Under the new property leasing agreement, which will expire on December 31, 2012, IHC agreed to lease to us 2,182 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%.

**Continuing Related Party Transaction with China Life Pension**

On July 27, 2009, we, CLIC and AMC entered into an entrustment of enterprise annuity funds and account management agreement with China Life Pension. The agreement will last for three years starting from the date on which the entrusted funds are transferred to a special entrustment account.

Under the 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. In consideration of the services provided by China Life Pension under this agreement, we, CLIC and AMC agreed to pay China Life Pension entrusted management fees and account management fees.

**Capital Injection to AMC**

On February 9, 2009, we entered into a capital injection agreement with CLIC and AMC, pursuant to which we injected RMB 1,200 million and CLIC injected RMB 800 million into AMC. After the capital injection, the registered capital of AMC was increased from RMB 1,000 million to RMB 3,000 million. The proportionate shareholding between CLIC and us remained unchanged. On April 17, 2009, the capital injection was approved by the CIRC.

**Continuing Related Party Transactions with GDB**

During the reporting period, we engaged in continuing related party transactions with GDB. These transactions are governed by several agreements between GDB and us, including a strategic cooperation agreement, negotiated deposit agreements and individual bancassurance product cooperation agreements. A detailed discussion of these agreements is set forth in Note 28 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.

**Negotiated Deposit Agreements with GDB**

We entered into three negotiated deposit agreements with GDB in July 2010, December 2010 and February 2011, respectively. Under the agreement entered into in July 2010, we agreed to deposit in GDB a total of RMB 3 billion (US\$455 million) for a term of 61 months. The annual interest rate applicable to our deposits will be a floating interest rate linked to the interest rate on one-year term deposits announced by the PBOC. Under the agreement entered into in December 2010, we agreed to deposit in GDB a total of RMB 1.5 billion (US\$227 million) for a term of 61 months. The annual interest rate applicable to our deposits will be calculated according to a fixed interest rate. Under the agreement entered into in February 2011, we agreed to deposit in GDB a total of RMB 2.5 billion (US\$379 million) for a term of 64 months. The annual interest rate applicable to our deposits will be fixed at 5.5% per annum.

**Table of Contents****Capital Injection to GDB**

On March 20, 2010, our board of directors approved the capital injection of RMB 2,999 million into GDB. In July 2010, the capital injection was approved by the CIRC and China Banking Regulatory Commission, respectively. This transaction was completed in December 2010. After the capital injection, the registered capital of GDB was increased from RMB 11,979 million to RMB 15,402 million. We hold 3,080,479,452 shares in GDB, which accounted for 20% of GDB's outstanding shares. Our proportionate shareholding in GDB remained unchanged.

**Compliance with HKSE Listing Rules**

The policy management agreement between CLIC and us, the asset management agreement between AMC and us and the asset management agreement between CLIC and AMC 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 30, 2008, December 30, 2010 and December 22, 2009, respectively.

The transaction under the capital injection agreement among CLIC, AMC and us is subject to reporting and announcement requirements only 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 February 9, 2009.

The remaining related party transactions discussed above, other than the transactions with GDB, are exempt from reporting, announcement and independent shareholders' approval requirements under the HKSE Listing Rules. The continuing related party transactions with GDB are not regarded as connected transactions for us under the HKSE Listing Rules.

**Figures for the year ended December 31, 2010**

The aggregate value of each of the transactions contemplated under the policy management agreement, the asset management agreements and the property leasing agreement for the year ended December 31, 2010 is set out below:

<b>Transactions</b>	<b>The aggregate value for the year ended December 31, 2010 (RMB in millions)</b>
1. Policy management agreement	1,154
2. Asset management agreement	
(a) between CLIC and AMC	123
(b) between AMC and us	659
3. Property leasing agreement	67

**Table of Contents**

**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 and the asset management agreement between CLIC and AMC which were subject to reporting, announcement and annual review 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 either on normal commercial terms or on terms that are fair and reasonable so far as our independent shareholders are concerned;
- 3) the transactions were entered into in accordance with the agreements governing those transactions; 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.

**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 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 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, 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 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 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 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.

**Table of Contents**

We may penalize our employees or individual 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 individual 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 individual agents. 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 or financial condition.

**Policy on Dividend Distributions**

Our board of directors has passed a resolution on March 22, 2011 to propose for approval at the annual general meeting of the declaration of final dividends of RMB 0.40 per share, totaling approximately RMB 11,306 million (US\$1,713 million), for the year ended December 31, 2010. The proposed dividends have not been provided for in our consolidated financial statements for the year ended December 31, 2010.

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 for the years following 2010 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.

**Table of Contents**

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. Distributable profits generally means our after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that we are required to make, subject to further regulatory restrictions. There is no difference between after-tax profits as determined under PRC GAAP and IFRS. 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 0.05 per share in respect of 2005, 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 and RMB 0.70 per share in respect 2009. Our board of directors has recommended the declaration of final dividends of RMB 0.40 per share in respect of 2010. 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**

We are not aware of any significant changes since the date of the consolidated financial statements included in this annual report.

**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.

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 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 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 bases. Investors should not make investment decisions based solely on embedded value information and the value of one year's sales.

**Table of Contents**

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, embedded value calculation 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 effect of the policy management agreement between CLIC and China Life, the non-competition agreement between CLIC and China Life, the trademark license agreement between CLIC and China Life, and the property leasing agreement between IHC and China Life, nor the future financial impact of transactions of China Life with AMC, China Life Pension, and CLPCIC.

***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 capital supporting a company's desired solvency margin.

Adjusted net worth is equal to the sum of:

Net assets, defined as assets less PRC solvency policy reserves and other liabilities; 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 after-tax distributable profits for existing in-force business at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date. Distributable profits arise after allowance for PRC solvency reserves and solvency margins at the required regulatory minimum level.

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 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 Life Insurance Embedded Value Reporting Guidelines issued by the CIRC. Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Towers Watson is contained in the Towers Watson's Review Opinion Report on Embedded Value section.



**Table of Contents****Assumptions****Economic assumptions:**

The calculations are based upon assumed corporate tax rate of 25% for all years. The investment returns are assumed to be 4.85% in 2010 and grading to 5.35% in 2012, rising to 5.5% in 2013 (remaining level thereafter). An average of 15% from 2010 to 2016, and 13 % in 2017 (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 11%.

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 December 31, 2010 and the value of one year's sales for the 12 months to December 31, 2010, and their corresponding results in 2009 are shown below.

**Table 1****Components of Embedded Value and Value of One Year's Sales**

ITEM	RMB million	
	2010	2009
A Adjusted Net Worth	<b>144,655</b>	159,948
B Value of In-Force Business before Cost of Solvency Margin	<b>183,008</b>	149,387
C Cost of Solvency Margin	<b>(29,564)</b>	(24,106)
D Value of In-Force Business after Cost of Solvency Margin (B+C)	<b>153,444</b>	125,282
<b>E Embedded Value (A + D)</b>	<b>298,099</b>	285,229
F Value of One Year's Sales before Cost of Solvency Margin	<b>23,726</b>	21,352
G Cost of Solvency Margin	<b>(3,887)</b>	(3,638)
<b>H Value of One Year's Sales after Cost of Solvency Margin (F+G)</b>	<b>19,839</b>	17,713

Notes: 1) Numbers may not be additive due to rounding.

2) Taxable income is based on distributable earnings calculated using solvency reserves.

**Table of Contents****Movement Analysis**

The following analysis tracks the movement of the embedded value from the start to the end of 2010.

**Table 2****Analysis of Embedded Value Movement**

<b>ITEM</b>	<b>RMB million</b>
A Embedded Value at Start of Year	285,229
B Expected Return on Embedded Value	23,922
C Value of New Business in the Period	19,839
D Operating Experience Variance	(3)
E Investment Experience Variance	(9,297)
F Methodology, Model and Assumption Changes	413
G Market Value Adjustment	(1,937)
H Exchange Gains or Losses	(391)
I Shareholder Dividend Distribution	(19,785)
J Other	109
<b>K Embedded Value as at 31 Dec 2010 (sum A through J)</b>	<b>298,099</b>

*Notes:* 1) Numbers may not be additive due to rounding.

2) Items B through J are explained below:

- B** Reflects unwinding of the opening value of in-force business and value of new business sales in 2010 plus the expected return on investments supporting the 2010 opening net worth.
- C** Value of new business sales in 2010.
- D** Reflects the difference between actual experience in 2010 (including lapse, mortality, morbidity, and expense etc.) and the assumptions.
- E** Compares actual with expected investment returns during 2010.
- F** Reflects the effect of projection method, model enhancements and assumption changes.
- G** Change in the market value adjustment from the beginning of 2010 to the end of 2010, and other related adjustments.
- H** Reflect the gains or losses due to change in exchange rate.
- I** Reflects dividends distributed to shareholders during 2010.
- J** Other miscellaneous items.

**Table of Contents****Sensitivity Testing**

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 3**

	RMB million	
<b>Sensitivity Results</b>	<b>VALUE OF IN-FORCE BUSINESS AFTER COST OF SOLVENCY MARGIN</b>	<b>VALUE OF ONE YEAR S SALES  AFTER COST OF SOLVENCY MARGIN</b>
Base case scenario	153,444	19,839
1. Risk discount rate of 11.5%	145,375	18,794
2. Risk discount rate of 10.5%	162,126	20,959
3. 10% increase in investment return	182,023	22,667
4. 10% decrease in investment return	125,022	17,040
5. 10% increase in expenses	151,002	18,014
6. 10% decrease in expenses	155,882	21,664
7. 10% increase in mortality rate for non-annuity products and 10% decrease in mortality rate for annuity products	151,791	19,757
8. 10% decrease in mortality rate for non-annuity products and 10% increase in mortality rate for annuity products	155,118	19,920
9. 10% increase in lapse rates	152,080	19,756
10. 10% decrease in lapse rates	154,857	19,916
11. 10% increase in morbidity rates	151,609	19,756
12. 10% decrease in morbidity rates	155,294	19,922
13. 10% increase in claim ratio of short term business	153,162	19,249
14. 10% decrease in claim ratio of short term business	153,725	20,429
15. Solvency margin at 150% of statutory minimum	139,372	17,865
16. Using 2009 EV assumptions	153,452	19,809
17. Taxable income based on accounting profit in accordance to the Provisions on the Accounting Treatment Related to Insurance Contracts	148,722	19,990
		<b>Adjusted Net Worth</b>
Base Case Scenario		144,655
18. Taxable income based on accounting profit in accordance to the Provisions on the Accounting Treatment Related to Insurance Contracts		137,155

*Note:* Taxable income is based on distributable earnings calculated using solvency reserves for Scenarios 1 to 16.

***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 2010 (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 Towers Watson Pennsylvania Inc., trading as Towers Watson ( 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 2010, in the light of the requirements of the Life Insurance Embedded Value Reporting Guidelines issued by the China Insurance Regulatory Commission ( CIRC ) in September 2005;
- 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 2010;
- 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.

**Table of Contents****Opinion**

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

- the embedded value methodology used by China Life is consistent with the requirements of the Life Insurance Embedded Value Reporting Guidelines issued by the CIRC. The methodology applied by China Life is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- 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;
- no changes have been assumed to the treatment of tax, but some sensitivity results relating to tax have been shown by China Life; 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 Towers Watson**

**Adrian Liu FIAA, FCAA**

**15th March 2011**

**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. 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 <sup>(2)</sup> (US\$)		Price per A share (RMB)	
	High	Low	High	Low	High	Low
<b>Annual</b>						
2006	27.2000	7.0500	52.18	13.76		
2007	52.0000	19.2600	106.56	36.70	75.0800 <sup>(3)</sup>	32.0400 <sup>(3)</sup>
2008	39.8500	16.7000	76.75	33.57	58.9700	18.1500
2009	41.0000	19.9000	79.86	38.34	33.1800	18.6700
2010	39.3000	29.7000	76.14	57.36	31.4200	20.9000
<b>Quarterly</b>						
First Quarter, 2009	26.4500	19.9000	51.56	38.34	24.0300	18.6700
Second Quarter, 2009	30.5000	25.4500	59.39	50.10	27.7500	22.6200
Third Quarter, 2009	36.1500	28.6000	70.09	54.83	34.0100	25.1000
Fourth Quarter, 2009	41.0000	32.8000	79.86	63.16	33.1800	28.3800
First Quarter, 2010	39.3000	32.6000	76.14	62.50	31.4200	26.6900
Second Quarter, 2010	38.2000	32.5500	74.79	62.68	28.4700	22.7300

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

Third Quarter, 2010	35.2000	29.7000	68.45	57.36	25.3300	20.9000
Fourth Quarter, 2010	36.6000	31.1000	70.50	59.78	27.8800	21.0400
First Quarter, 2011	32.6000	28.0000	62.93	53.66	22.3200	20.7900
<b>Monthly</b>						
October 2010	36.3500	31.1000	70.35	59.78	27.8800	22.4400
November 2010	36.6000	33.3000	70.50	63.83	26.8400	22.2900
December 2010	33.7500	31.1500	65.62	60.73	23.5400	21.0400
January 2011	32.6000	30.3000	62.93	58.29	21.9200	20.7900
February 2011	30.4000	28.6500	58.72	55.81	22.2100	21.0200
March 2011	30.6500	28.0000	58.85	53.66	22.3200	20.8800
April 2011 (through April 15, 2010)	30.4500	29.4500	58.43	56.84	22.1800	21.3300

(1) Source: Yahoo! Finance (<http://finance.yahoo.com>)

(2) Each ADS represented 40 H shares until December 29, 2006 when the ratio was altered such that each ADS represented 15 H shares. The market quotations shown in the table above have been restated for all periods to reflect the current ratio of 15 H shares per ADS.

(3) From the date of listing: January 9, 2007.

**Table of Contents**

**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; and agency business, consulting business and provision of services, in each case relating to life insurance.

**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.

**Table of Contents**

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 2006 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 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.



**Table of Contents**

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 at any time. A distribution of dividends for any fiscal year is subject to shareholders' approval. Dividends may be distributed in the form of cash or shares. The H shares will rank equally with A shares with regard to dividend rights. A distribution of shares must be approved by special resolution of the shareholders.

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.

## **Table of Contents**

Under Chinese law, dividends may be paid only out of distributable profits. Distributable profits generally means our after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that we are required to make, subject to further regulatory restrictions. There is no difference between after-tax profits as determined under PRC GAAP and IFRS. 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.

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.

**Table of Contents**

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;

**Table of Contents**

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 shall 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 shall 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 less than 21 days before the date of the shareholders' annual general meeting and 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, a preliminary 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. For annual accounting periods ending on or after December 31, 2010, we must publish such results no later than three months after the end of relevant fiscal year. 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 financial statements must be approved by a majority of our shareholders who are present in person or by proxy at the annual general meeting.

**Table of Contents**

The Hong Kong Stock Exchange 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, a preliminary 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. For half-year accounting periods ending on or after June 30, 2010, we must publish such results no later than two months after the end of the six-month period.

According to the HKSE Listing Rules, we are required to keep the Hong Kong Stock Exchange, our shareholders and other holders of our listed securities informed as soon as reasonably practicable of any information relating to us and our subsidiaries, including information on any major new developments that is not public information, which:

- is necessary to enable them and the public to appraise the position of us and our subsidiaries; or
- is necessary to avoid the establishment of a false market in our securities; or
- might reasonably be expected to affect materially market activity in, and the price of, our securities.

We are also 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 10% 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.

We are required to keep a register of our shareholders, which shall be 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.

## **Table of Contents**

### **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 25, 2009 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 each of the aggregate nominal amount of our domestic shares and 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. Our board of directors has no immediate plan to issue any new shares.

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.

**Table of Contents**

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 submitted for approval 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.

## **Table of Contents**

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".



**Table of Contents**

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) minimum paid-in capital of no less than RMB 5 million, (2) a board of directors of not fewer than five and not more than 19 members, and (3) 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.

**Table of Contents**

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, board as well as shareholder approvals are 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;

**Table of Contents**

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.

**Table of Contents**

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 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.

**Table of Contents**

***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 one-third 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.

**Table of Contents**

***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.

***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, IHC and GDB.

**Table of Contents****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.

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.

**Table of Contents****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. However, the Chinese State Administration of Taxation, or the SAT, issued, on July 26, 1994, a Letter of the Chinese State Administration of Taxation Concerning the Taxation of Dividends Received by Foreign Individuals Holding Shares of Chinese Listed Companies, or the Tax Letter, which states that dividends paid by a Chinese company to individuals with respect to shares listed on an overseas stock exchange, or Overseas Shares, such as H shares, are temporarily not subject to Chinese withholding tax. In the event that this Tax Letter is withdrawn, a 20% tax may be withheld on dividends in accordance with the PRC Individual Income Tax Law, as amended. The withholding tax may be reduced pursuant to an applicable tax treaty. To date, the relevant tax authorities have not collected withholding tax from dividend payments on the shares exempted under the Tax Letter.

*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. It is arguable that under the China-US Treaty, China may only tax gains from the sale or disposition by an Eligible U.S. Holder of H shares representing an interest in us of 25% or more, but this position is uncertain and the Chinese authorities may take a different position. 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.



**Table of Contents**

**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. On March 30, 1998, the MOF and the SAT issued a Notice Concerning the Continued Exemption of Individual Income Taxes Levied on Income from the Transfer of Shares, or the Tax Notice, which states that capital gains realized by individuals upon the transfer of shares are temporarily not subject to capital gains tax. In the event that this Tax Notice is withdrawn, 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 exempted under the Tax Notice.

**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.

**Table of Contents****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 maximum rate of 15% on individuals. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers could prove that the investment securities are held for long-term investment purpose.

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. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the *ad valorem* duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. 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.

**Table of Contents**

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, in which case only a fixed duty of HK\$5.00 is payable on the transfer. 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.

***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 the 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.

**Table of Contents**

Dividends received by individuals during taxable years beginning on or before December 31, 2012 from qualified foreign corporations are generally subject to a maximum U.S. federal income tax rate of 15%, 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 depository, 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.

As described above under *The People's Republic of China Taxation of Dividends*, under current practice, Chinese withholding tax is not collected from dividends paid with respect to overseas shares; such as H shares and ADSs, to a recipient who is an individual who is not a resident of China. If the U.S. Holder is a non-resident enterprise, or if in the future, Chinese withholding tax were to be collected from dividends paid to non-resident individuals on H shares or ADSs, such U.S. Holders may be entitled, at its option, to either a deduction or a tax credit for the amount paid or withheld. There are significant and complex limitations that apply to foreign tax credits. 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.

**Table of Contents**

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 Item 10. Additional Information Taxation 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 I.R.S. 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 I.R.S. 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.

**Table of Contents**

*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.

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.

We believe that we were in 2010, and we anticipate that we will continue to be, predominantly engaged in an insurance business and we believe that we did not in 2010, and will not, have financial reserves in excess of the reasonable needs of our insurance business. As a result, our income derived and assets held in the active conduct of our insurance business should not be passive income and passive assets, and we do not expect to be classified as a PFIC for any 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 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.

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

**Table of Contents**

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.

**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 specified in 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 a statement setting forth certain information if the aggregate value of all such assets exceeds \$50,000.

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 this new filing requirement.

**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.

**Table of Contents**

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.

**Interest Rate Risk**

Our profitability is affected by changes in interest rates. Although the PBOC increased four times the benchmark deposit rate from the beginning of the year of 2010 to the date of this annual report, we are currently experiencing a comparatively low interest rate environment in general. If interest rates were to further increase in the future, 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 the CIRC did not raise the cap set by the CIRC on the rates we guarantee, sales of some of our products, including our non-participating investment type products, could be adversely affected. If interest rates were to decline, 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.

For the years ended December 31, 2010, 2009 and 2008, the investment yield was 5.11%, 5.78% and 3.48%, respectively. Investment contracts are generally priced with guaranteed interest rates, subject to a cap on guaranteed rates set by the CIRC, which is currently 2.50%. Dividends on participating policies are required to be at least 70% of distributable earnings attributable to such policies.



**Table of Contents**

The following tables set forth selected assets and liabilities with exposure to interest rates as of December 31, 2010, 2009 and 2008.

As of December 31, 2010	Expected Maturity Date						Total	Fair value
	2011	2012	2013	2014	2015	Thereafter		
<i>(RMB in millions, except as otherwise stated)</i>								
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	20,987	5,590	7,163	20,803	24,384	508,579	587,505	585,507
Average interest rate	4.72%	4.76%	4.57%	4.75%	4.58%	4.37%	4.41%	
in US\$								
Average interest rate								
in HK\$								
Average interest rate								
<b>Variable rate bonds</b>								
in RMB	1,708	765	2,101	3,044	255	3,288	11,160	11,235
Average interest rate	5.43%	5.20%	5.24%	5.67%	5.98%	4.68%	5.23%	
in US\$								
Average interest rate								
<b>Term deposits (excluding structured deposits)</b>								
in RMB	19,235	36,400	78,367	58,850	164,300	81,400	438,552	438,552
Average interest rate	4.36%	4.20%	4.35%	4.14%	4.38%	4.46%	4.34%	
in US\$								
Average interest rate								
<b>Structured deposits <sup>(1)</sup></b>								
in US\$								
Average interest rate								
<b>Liabilities</b>								
Securities sold under agreements to repurchase	23,065						23,065	23,065
Average interest rate	6.02%						6.02%	
Investment contracts	2,359	918	1,349	2,536	800	62,209	70,171	69,432
Average interest rate	1.80%	1.51%	1.29%	2.50%	2.49%	2.34%	2.29%	



**Table of Contents**

As of December 31, 2009	Expected Maturity Date						Total	Fair value
	2010	2011	2012	2013	2014	Thereafter		
<i>(RMB in millions, except as otherwise stated)</i>								
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	4,206	32,650	5,521	7,824	20,552	480,981	551,734	550,128
Average interest rate	3.68%	4.57%	4.74%	4.66%	4.75%	4.36%	4.39%	
in US\$								
Average interest rate								
in HK\$						7	7	7
Average interest rate						5.38%	5.38%	
<b>Variable rate bonds</b>								
in RMB	3,784	1,746	1,008	5,073	3,219	8,362	23,192	23,546
Average interest rate	4.76%	5.33%	5.10%	4.98%	5.62%	4.68%	4.96%	
in US\$	854			2,048			2,902	2,902
Average interest rate	0.99%			1.41%			1.29%	
<b>Term deposits (excluding structured deposits)</b>								
in RMB	77,580	19,200	36,400	78,367	58,850	64,500	337,897	337,897
Average interest rate	2.69%	4.34%	3.78%	4.06%	3.64%	3.76%	3.60%	
in US\$	6,813						6,813	6,813
Average interest rate	3.18%						3.18%	
<b>Structured deposits <sup>(1)</sup></b>								
in US\$			273				273	272
Average interest rate			0.95%				0.95%	
<b>Liabilities</b>								
Securities sold under agreements to repurchase	33,553						33,553	33,553
Average interest rate	1.84%						1.84%	
Investment contracts	2,035	1,043	1,118	657	2,144	60,329	67,326	66,184
Average interest rate	2.02%	1.34%	1.39%	2.50%	2.50%	2.35%	2.32%	



**Table of Contents**

As of December 31, 2008	Expected Maturity Date						Total	Fair value
	2009	2010	2011	2012	2013	Thereafter		
<i>(RMB in millions, except as otherwise stated)</i>								
<b>Assets</b>								
<b>Held-to-maturity and available-for-sale debt securities</b>								
<b>Fixed rate bonds</b>								
in RMB	28,157	3,202	52,559	8,386	17,379	405,956	515,638	553,271
Average interest rate	4.23%	4.50%	4.57%	4.33%	4.59%	4.34%	4.37%	
in US\$								
Average interest rate								
<b>Variable rate bonds</b>								
in RMB	3,600	3,845	1,861	1,216	6,557	11,224	28,303	28,641
Average interest rate	6.06%	4.94%	4.86%	5.04%	4.87%	4.90%	5.05%	
in US\$		854			2,050		2,905	2,905
Average interest rate		3.15%			3.49%		3.39%	
<b>Term deposits (excluding structured deposits)</b>								
in RMB	59,700	18,080	19,200	39,400	78,367	5,699	220,446	220,446
Average interest rate	3.95%	4.13%	4.34%	3.79%	4.06%	3.97%	4.01%	
in US\$	4,921						4,921	4,921
Average interest rate	6.00%						6.00%	
<b>Structured deposits <sup>(1)</sup></b>								
in US\$				273		2,632	2,905	2,887
Average interest rate				3.65%		8.09%	7.67%	
<b>Liabilities</b>								
<b>Securities sold under agreements to repurchase</b>								
	11,390						11,390	11,390
Average interest rate	1.14%						1.14%	
<b>Investment contracts</b>								
	2,258	947	1,088	783	1,274	46,879	53,229	51,212
Average interest rate	2.31%	2.15%	1.58%	2.50%	2.50%	2.47%	2.44%	

(1) assuming the interest rates are within the specified ranges and the deposits are not terminated earlier by the banks.

**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.

**Table of Contents**

The following table sets forth our exposure to equity securities as of December 31, 2010, 2009 and 2008.

<i>(RMB in millions)</i>	2008		As of December 31, 2009		2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Equity securities	75,082	75,082	179,416	179,416	195,918	195,918
Securities at fair value through income (held for trading)	6,363	6,363	2,742	2,742	2,249	2,249
Available-for-sale	68,719	68,719	176,674	176,674	193,669	193,669

A hypothetical 10% decline in the December 31, 2008, 2009 and 2010 value of the available-for-sale equity securities would result in an unrealized loss of approximately RMB 6,823 million, RMB 17,548 million and RMB 19,367 million, respectively.

A hypothetical 10% decline in the December 31, 2008, 2009 and 2010 value of the securities at fair value through income equity securities would result in a charge to the income statement of approximately RMB 636 million and RMB 271 million and RMB 225 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 structured deposits and term deposits. 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, Japanese yen and Hong Kong dollar. We recorded RMB 392 million (US\$59 million) foreign exchange losses for the year ended December 31, 2010, resulting from our assets held in foreign currencies, which were affected by the appreciation 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, 2010, 2009 and 2008.

As of December 31, 2010	Expected Maturity Date						Total	Fair value
	2011	2012	2013	2014	2015	Thereafter		
<b>Debt securities</b>								
in US\$			300				300	300
Average interest rate			1.11%				1.11%	
in HK\$					8	23	31	31
Average interest rate					5.38%	5.94%	5.79%	
<b>Term deposits (excluding structured deposits)</b>								
in US\$	33						33	33
Average interest rate	3.26%						3.26%	

**Table of Contents**

As of December 31, 2010	Expected Maturity Date						Total	Fair value
	2011	2012	2013	2014	2015	Thereafter		
	<i>(in millions)</i>							
<b>Structured deposits<sup>(1)</sup></b>								
in US\$								
Average interest rate								
<b>Cash and Cash equivalents</b>								
in US\$	1						1	1
Average interest rate	0.00%						0.00%	
in HK\$	230						230	230
Average interest rate	0.00%						0.00%	



**Table of Contents**

As of December 31, 2009	Expected Maturity Date						Total	Fair value
	2010	2011	2012	2013	2014	Thereafter		
	<i>(in millions)</i>							
<b>Debt securities</b>								
in US\$		125			300		425	425
Average interest rate		3.15%			3.49%		3.39%	
in HK\$						8	8	8
Average interest rate						5.38%	5.38%	
<b>Term deposits (excluding structured deposits)</b>								
in US\$	998						998	998
Average interest rate	3.18%						3.18%	
<b>Structured deposits<sup>(1)</sup></b>								
in US\$			40				40	40
Average interest rate			0.95%				0.95%	
<b>Cash and Cash equivalents</b>								
in US\$	5						5	5
Average interest rate	1.95%						1.95%	
in HK\$	341						341	341
Average interest rate	0.00%						0.00%	

(1) assuming the interest rates are within the specified range and the deposits are not terminated earlier by the banks.

**Table of Contents**

As of December 31, 2008	Expected Maturity Date						Total	Fair value
	2009	2010	2011	2012	2013	Thereafter		
	<i>(in millions)</i>							
<b>Debt securities</b>								
in US\$		125			300		425	425
Average interest rate		3.15%			3.49%		3.39%	
<b>Term deposits (excluding structured deposits)</b>								
in US\$	720						720	720
Average interest rate	6.00%						6.00%	
<b>Structured deposits<sup>(1)</sup></b>								
in US\$				40		385	425	425
Average interest rate				3.65%		8.09%	7.67%	
<b>Cash and Cash equivalents</b>								
in US\$	1,205						1,205	1,205
Average interest rate	3.57%						3.57%	
in HK\$	579						579	579
Average interest rate	0.10%						0.10%	

**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.

**Table of Contents**

<b>Category</b>	<b>Depository 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 receipts	Transfers, combining or grouping of depository receipts	US\$1.50 per ADS
(f) Expenses of the depository	Expenses incurred on behalf of ADR holders in connection with:  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	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.

any other charge payable by depositary or its agents.

Deutsche Bank Trust Company Americas, or Deutsche Bank, has served as the depositary 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 4, 2010 to April 10, 2011.

<b>Category of Expenses</b>	<b>Amount Reimbursed from January 4, 2010 to April 10, 2011</b>
NYSE listing fees	US\$ 38,000.00
Legal fees	US\$ 409,620.55
Investor relations(1)	US\$ 1,369,933.05
Broker reimbursements(2)	US\$ 71,440.20
<b>Total</b>	<b>US\$ 1,888,993.80</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 Depositary Trust Company. Corporate material includes information related to shareholders meetings and related voting instruction cards. These fees are SEC approved.

**Table of Contents**

**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 substantial part of the cash proceeds from our global offering was held in bank deposit accounts denominated in foreign currencies in China, part of the cash proceeds was invested in stocks listed on overseas stock exchanges, and part of the cash proceeds was invested in debt securities denominated in foreign currencies. We gradually converted approximately US\$300 million of the cash proceeds into Renminbi to reduce foreign exchange risks. We invested approximately US\$433 million, in addition to 2,282 billion in Renminbi, in Guangdong Development Bank in December 2006. We used approximately HK\$5.8 billion for investments in Sino-Ocean Land Holdings Limited during its target offering in 2009.

**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, 2010, 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, 2010.

## **Table of Contents**

### **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, 2010. 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. Based on this assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2010.

The Company's internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report which is on page F-2 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, 2010.

### **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, 2010 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. Bruce Douglas Moore qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F. Mr. Moore is independent in accordance with the applicable requirements of Rule 10A-3 of the Securities Exchange Act of 1934. Mr. Moore was appointed as an independent non-executive director and a member of the audit committee of our company in June 2009. For Mr. Moore'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.



**Table of Contents****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 2010 and 2009.

	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
		<i>(RMB in millions)</i>		
2010	63.90			
2009	69.50			

(1) Audit fees include fees billed for professional services rendered for audits of the consolidated financial statements, review of interim financial statements, statutory audits of China Life.

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, 2010, China Life and its subsidiaries had not purchased, sold or redeemed any of China Life's shares.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

Not applicable.

**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.



**Table of Contents**

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. We are not required by PRC or Hong Kong laws or requirements on mandatory basis to hold, and did not hold, such sessions in the year of 2010.

**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 construed under those rules. The nominating and remuneration committee is mainly responsible for the review and recommendation of the nomination of our directors and senior officers, as well as the formulation of training and remuneration policy for our 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 the year of 2010, 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.

**Table of Contents**

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 the year of 2010, 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 internal control system, to supervise our internal audit system 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.

**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 Code on Corporate Governance Practices 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 China Securities Regulatory Commission ( 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 2010 filed with the CSRC that we had established comparatively proper and sound corporate governance strictly in accordance with the PRC Company Law and PRC Securities Law as well as relevant rules and regulations, and that there were no significant differences between our actual corporate governance practices and relevant provisions and requirements under CSRC 's rules.

**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 shall 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 shall 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.

**Table of Contents**

**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.

**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.**

(a) See Item 18 for a list of the financial statements filed as part of this annual report.

(b) Exhibits to this annual report.

**Table of Contents**

**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	Asset Management Agreement between China Life Insurance Company Limited and China Life Asset Management Company Limited
4.5	Asset Management Agreement between China Life Insurance (Group) Company and China Life Asset Management Company Limited <sup>(5)</sup>
4.6	Property Leasing Agreement <sup>(6)</sup>
4.7	Non-Competition Agreement <sup>(1)</sup>
4.8	Confirmation Letter to Renew Policy Management Agreement <sup>(5)</sup>
4.9	Agreement for Assignment of Rights and Obligations under Property Leasing Agreement <sup>(5)</sup>
4.10	Capital Injection Agreement among China Life Insurance Company Limited, China Life Insurance (Group) Company and China Life Asset Management Company Limited <sup>(5)</sup>
4.11	Entrustment and Account Management Agreement for Corporate Annuity Fund <sup>(6)</sup>
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

(1) Incorporated by reference to the Registration Statement on Form F-1 (File No. 333-110615), filed with the Commission on December 9, 2003.

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

- (2) Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-164005), filed with the Commission on January 4, 2010.
- (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, 2005, filed with the Commission on May 30, 2006.
- (5) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed with the Commission on April 28, 2009.
- (6) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed with the Commission on April 29, 2010.

**Table of Contents**

**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/ Wan Feng

Name: Wan Feng

Title: President and Executive Director

Date: April 26, 2011

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Historical Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statement of Financial Position as of December 31, 2010 and 2009</u>	F-3
<u>Consolidated Statement of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008</u>	F-5
<u>Consolidated Statement of Changes in Equity for the years ended December 31, 2010, 2009 and 2008</u>	F-7
<u>Consolidated Statement of Cash Flow for the years ended December 31, 2010, 2009 and 2008</u>	F-10
<u>Notes to the Consolidated Financial Statements</u>	F-12

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors and Equity Holders of  
China Life Insurance Company Limited**

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow present fairly, in all material respects, the financial position of China Life Insurance Company Limited and its subsidiaries (hereinafter the Group) at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Group’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 15 of the 2010 Annual Report to equity holders. Our responsibility is to express opinions on these financial statements and on the Group’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

**PricewaterhouseCoopers  
Hong Kong, March 22, 2011**



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2010**

	Note	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million
<b>ASSETS</b>			
Property, plant and equipment	6	18,946	17,467
Investments in associates	7	20,892	8,470
Held-to-maturity securities	8.1	246,227	235,099
Loans	8.2	36,543	23,081
Term deposits	8.3	441,585	344,983
Statutory deposits restricted	8.4	6,153	6,153
Available-for-sale securities	8.5	548,121	517,499
Securities at fair value through income	8.6	9,762	9,133
Accrued investment income	8.7	18,193	14,208
Premiums receivable	10	7,274	6,818
Reinsurance assets	11	830	832
Other assets	12	8,199	6,317
Cash and cash equivalents		47,854	36,197
<b>Total assets</b>		<b>1,410,579</b>	<b>1,226,257</b>

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2010**

	Note	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Insurance contracts	13	1,018,135	818,164
Investment contracts	14	70,171	67,326
Securities sold under agreements to repurchase	15	23,065	33,553
Policyholder dividends payable		52,828	54,587
Annuity and other insurance balances payable		8,275	5,721
Premiums received in advance		1,880	1,804
Other liabilities	16	13,746	11,978
Deferred tax liabilities	24	11,776	16,361
Current income tax liabilities		34	3,850
Statutory insurance fund	17	194	137
<b>Total liabilities</b>		<b>1,200,104</b>	<b>1,013,481</b>
<b>Equity</b>			
Share capital	30	28,265	28,265
Reserves	31	100,512	102,787
Retained earnings		79,933	80,020
<b>Attributable to equity holders of the Company</b>		<b>208,710</b>	<b>211,072</b>
<b>Non-controlling interests</b>		<b>1,765</b>	<b>1,704</b>
<b>Total equity</b>		<b>210,475</b>	<b>212,776</b>
<b>Total liabilities and equity</b>		<b>1,410,579</b>	<b>1,226,257</b>

Approved and authorized for issue by the Board of Directors on 22 March 2011

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2010**

	Note	2010 RMB million	2009 RMB million	2008 RMB million
<b>REVENUES</b>				
Gross written premiums		318,229	275,970	265,656
Less: premiums ceded to reinsurers		(177)	(158)	(156)
Net written premiums		318,052	275,812	265,500
Net change in unearned premium reserves		36	(735)	(323)
<b>Net premiums earned</b>		<b>318,088</b>	<b>275,077</b>	<b>265,177</b>
Investment income	18	48,872	38,890	44,946
Net realised gains on financial assets	19	15,841	21,244	(5,964)
Net fair value gains through income	20	280	1,449	(7,194)
Other income		2,757	2,630	3,420
<b>Total revenues</b>		<b>385,838</b>	<b>339,290</b>	<b>300,385</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>				
Insurance benefits and claims expenses				
Life insurance death and other benefits	21	(71,237)	(74,858)	(89,659)
Accident and health claims and claim adjustment expenses	21	(8,740)	(7,808)	(7,641)
Increase in insurance contracts liabilities	21	(199,655)	(154,372)	(134,649)
Investment contract benefits	22	(1,950)	(2,142)	(1,931)
Policyholder dividends resulting from participation in profits		(13,224)	(14,487)	(1,671)
Underwriting and policy acquisition costs		(27,256)	(22,936)	(24,200)
Administrative expenses		(20,285)	(18,719)	(16,652)
Other operating expenses		(3,655)	(2,390)	(3,409)
Statutory insurance fund contribution	17	(599)	(537)	(558)
<b>Total benefits, claims and expenses</b>		<b>(346,601)</b>	<b>(298,249)</b>	<b>(280,370)</b>
Share of results of associates	7	1,771	704	(56)
<b>Profit before income tax</b>	23	<b>41,008</b>	<b>41,745</b>	<b>19,959</b>

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

Income tax	24	(7,197)	(8,709)	(685)
<b>Net profit</b>		<b>33,811</b>	<b>33,036</b>	<b>19,274</b>
Attributable to:				
- equity holders of the Company		33,626	32,881	19,137
- non-controlling interests		185	155	137
<b>Basic and diluted earnings per share</b>	26	RMB 1.19	RMB 1.16	RMB 0.68

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.

F-5

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Comprehensive Income (continued)**  
**For the year ended 31 December 2010**

	Note	2010 RMB million	2009 RMB million	2008 RMB million
<b>Other comprehensive income/(loss)</b>				
Fair value (losses)/gains on available-for-sale securities		(13,666)	39,470	(61,622)
Amount transferred to net profit from other comprehensive income		(15,763)	(21,040)	4,878
Portion of fair value (losses)/gains on available-for-sale securities allocated to participating policyholders		7,983	(3,999)	11,702
Share of other comprehensive loss of associates		(131)	(70)	291
Others		(1)		(3)
Income tax relating to components of other comprehensive income/(loss)	24	5,362	(3,607)	11,260
<b>Other comprehensive (loss)/income for the year</b>		(16,216)	10,754	(33,494)
<b>Total comprehensive income for the year</b>		17,595	43,790	(14,220)
Attributable to:				
- equity holders of the Company		17,423	43,626	(14,316)
- non-controlling interests		172	164	96

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2010**

	Attributable to equity holders of the Company			Non- controlling	Total RMB million
	Share capital RMB million (Note 29)	Reserves RMB million (Note 30)	Retained earnings RMB million	interests RMB million	
<b>As at 1 January 2008</b>	28,265	111,276	60,593	876	201,010
Net profit			19,137	137	19,274
Other comprehensive loss for the year		(33,453)		(41)	(33,494)
<b>Total comprehensive income/(loss)</b>		(33,453)	19,137	96	(14,220)
<b>Transactions with owners</b>					
Capital contribution				45	45
Appropriation to reserve		6,624	(6,624)		
Dividends paid			(11,871)		(11,871)
Dividends to minority interests				(93)	(93)
<b>Total transactions with owners</b>		6,624	(18,495)	(48)	(11,919)
<b>As at 31 December 2008</b>	28,265	84,447	61,235	924	174,871

F-7

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2010**

	Attributable to equity holders of the Company			Non- controlling	Total RMB million
	Share capital RMB million (Note 30)	Reserves RMB million (Note 31)	Retained earnings RMB million	interests RMB million	
<b>As at 1 January 2009</b>	28,265	84,447	61,235	924	174,871
Net profit			32,881	155	33,036
Other comprehensive income for the year		10,745		9	10,754
<b>Total comprehensive income</b>		10,745	32,881	164	43,790
<b>Transactions with owners</b>					
Capital contribution				720	720
Appropriation to reserve (Note 31)		7,595	(7,595)		
Dividends paid			(6,501)		(6,501)
Dividends to non-controlling interests				(104)	(104)
<b>Total transactions with owners</b>		7,595	(14,096)	616	(5,885)
<b>As at 31 December 2009</b>	28,265	102,787	80,020	1,704	212,776

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2010**

	Attributable to equity holders of the Company			Non- controlling	Total RMB million
	Share capital RMB million (Note 30)	Reserves RMB million (Note 31)	Retained earnings RMB million	interests RMB million	
<b>As at 1 January 2010</b>	28,265	102,787	80,020	1,704	212,776
Net profit			33,626	185	33,811
Other comprehensive income for the year		(16,203)		(13)	(16,216)
<b>Total comprehensive income</b>		(16,203)	33,626	172	17,595
Appropriation to reserve (Note 31)		13,928	(13,928)		
Dividends paid			(19,785)		(19,785)
Dividends to non-controlling interests				(111)	(111)
<b>Total transactions with owners</b>		13,928	(33,713)	(111)	(19,896)
<b>As at 31 December 2010</b>	28,265	100,512	79,933	1,765	210,475

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Cash Flow**  
**For the year ended 31 December 2010**

	<b>2010</b>	2009	2008
	<b>RMB million</b>	RMB million	RMB million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax:	41,008	41,745	19,959
Adjustments for:			
Investment income	(48,872)	(38,890)	(44,946)
Net realised and unrealised gains on financial assets	(16,121)	(22,693)	13,158
Insurance contracts	199,978	155,252	135,284
Depreciation and amortisation	1,802	1,560	1,363
Amortisation of premiums and discounts	(5)	10	(156)
Loss on foreign exchange	392	28	907
Share of results of associates	(1,771)	(704)	
Changes in operating assets and liabilities:			
Securities at fair value through income	(809)	6,435	3,977
Receivables and payables	13,056	9,917	4,484
Income tax paid	(10,236)	(3,995)	(8,583)
Interest received	135	291	101
Dividends received	43	40	529
<b>Net cash inflow from operating activities</b>	<b>178,600</b>	<b>149,700</b>	<b>126,077</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales and maturities:			
Sales of debt securities	38,245	95,197	19,594
Maturities of debt securities	8,199	25,730	4,187
Sales of equity securities	133,111	101,112	59,855
Property, plant and equipment	240	420	247
Purchases:			
Debt securities	(74,324)	(148,559)	(119,989)
Equity securities	(171,379)	(149,523)	(49,480)
Property, plant and equipment	(4,849)	(3,261)	(2,950)
Additional capital contribution to associates	(2,999)		(1,200)
Increase in term deposits, net	(96,602)	(116,711)	(60,095)
Decrease in securities purchased under agreements to resell, net	89	8	5,142
Interest received	38,873	34,139	30,378
Dividends received	5,321	3,159	9,563
Increase in policy loan, net	(10,146)	(5,155)	
Other	284	(307)	(11,162)
<b>Net cash outflow from investing activities</b>	<b>(135,937)</b>	<b>(163,751)</b>	<b>(115,910)</b>

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.

F-10

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**Consolidated Statement of Cash Flow**  
**For the year ended 31 December 2010**

	<b>2010</b>	2009	2008
	<b>RMB</b>	RMB	RMB
	<b>million</b>	million	million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Decrease)/increase in investment in securities sold under agreements to repurchase, net	(10,488)	22,163	11,290
Interest paid	(297)	(111)	(437)
Contribution from non-controlling interests		720	
Dividends paid to the Company's equity holders	(19,785)	(6,501)	(11,871)
Dividends paid to non-controlling interests	(111)	(104)	(93)
<b>Net cash (outflow)/ inflow from financing activities</b>	<b>(30,681)</b>	<b>16,167</b>	<b>(1,111)</b>
<b>Foreign currency losses on cash and cash equivalents</b>	<b>(325)</b>	<b>(4)</b>	<b>(288)</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,657</b>	<b>2,112</b>	<b>8,768</b>
<b>Cash and cash equivalents Beginning of year</b>	<b>36,197</b>	<b>34,085</b>	<b>25,317</b>
<b>End of year</b>	<b>47,854</b>	<b>36,197</b>	<b>34,085</b>
<b>Analysis of balance of cash and cash equivalents</b>			
Cash at bank and in hand	45,143	23,640	20,841
Short-term bank deposits	2,711	12,557	13,244

The notes on pages F-12 to F-77 form an integral part of these consolidated financial statements.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

China Life Insurance Company Limited (the Company) was established in the People's Republic of China (China or 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 (formerly China Life Insurance Company) (CLIC) 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, annuities, accident and health insurance products in China.

The Company is a limited liability company incorporated and located in China. The address of its registered office is: 16 Financial Street, Xicheng District, Beijing, PRC. The Company is listed on the Stock Exchange of Hong Kong, the New York Stock Exchange 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 for issue by the Board of Directors on 22 March 2011.

**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.

**2.1 Basis of preparation**

The Group adopted International Financial Reporting Standards (IFRS) in 2009. The Group prepared these consolidated financial statements in accordance with IFRS, its amendments 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 Limited and the requirements of the Hong Kong Company's Ordinance. The Group prepared the consolidated financial statements under the historical cost convention, as modified by financial assets and financial liabilities at fair value through income, available-for-sale securities, insurance contract liabilities and certain property, plant and equipment at deemed cost. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

**2.1.1 Changes in accounting policy and disclosures**

*(a) New and amended standards adopted by the Group*

The following revised standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (Revised), Business combinations, and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes, such as the recognition and measurement of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquire and the acquisition-related costs.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The Group adopted these revised standards on 1 January 2010 and they did not have any material impacts on the Group's financial position and comprehensive income.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

**2.1.1 Changes in accounting policy and disclosures (continued)**

(b) *New and revised standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but not currently relevant to the Group's operation.

<b>Standard/Amendment /Interpretation</b>	<b>Content</b>	<b>Applicable for financial years beginning on/after</b>
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRIC 9	Reassessment of embedded derivatives	1 July 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009
IAS 39	Eligible hedge items	1 July 2009
IAS 1 (Amendment)	Presentation of financial statements	1 January 2010
IAS 17 (Amendment)	Leases	1 January 2010
IAS 36 (Amendment)	Impairment of assets	1 January 2010
IFRS 2 (Amendments)	Group cash-settled share-based payment transactions	1 January 2010
IFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 July 2009

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

**2.1.1 Changes in accounting policy and disclosures (continued)**

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010.*

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

Revised IAS 24 (Revised), Related party disclosures, issued in November 2009. It supersedes IAS 24, Related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The Group early adopted IAS 24 Related Party Disclosures (Revised) since 2009. The adoption of IAS 24 Related Party Disclosures (Revised) only affected disclosure and did not have any impact on the Group's financial position and comprehensive income.

Classification of rights issues (Amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors. The Group will apply the amended standard from 1 January 2011. The Group will make an assessment of the impact of the standard when applicable.

IFRIC Int 19, Extinguishing financial liabilities with equity instruments, effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group's financial position and comprehensive income.

Prepayments of a minimum funding requirement (Amendments to IFRIC Int 14). The amendments correct an unintended consequence of IFRIC Int 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction. Without the amendments, entities are not

permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have any impact on the Group's financial position and comprehensive income.

Improvements to IFRS 2009 and Annual Improvements 2010 were issued in April 2009 and May 2010 respectively, containing numerous technical and conforming amendments to IFRS, which the IASB consider non-urgent but necessary. These amendments comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Apart from the early adoption of the amendments to IFRS 1 and IFRS 7 from Annual Improvements 2010, no other amendments effective for annual periods after 1 January 2010 were early adopted by the Group and no material changes to accounting policies were made in 2010 or are expected in 2011 as a result of these amendments.



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2.2 Consolidation**

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority votes at the meetings of the Board of Directors.

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 interests 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.

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided evidence of impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases 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 disposals 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 other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This

may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation (continued)**

Associates

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

The Group's share of its associates' post-acquisition profit or loss is recognized in the net profit, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' 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 associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold.

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

**2.3 Segment reporting**

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

Operating segment refers to the segment within the Group that satisfies following conditions: i) the segment generates income and incurs costs from daily operating activities; ii) management evaluate the operating results of the segment to make resource allocation decision and to evaluate the business performance; iii) the Group can obtain relevant financial information of the segment, including financial condition, operating results, cash flow and other financial performance indicators.

**2.4 Foreign currency translation**

The functional currencies of the Group's operations are RMB. Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies

are translated at rates of exchange ruling at the end of the reporting period. Exchange differences arising in these cases are recognized in the net profit.

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical costs less accumulated depreciations and any accumulated impairment losses, except for those acquired prior to 30 June 2003, which are stated at deemed cost less accumulated depreciations 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. The cost of a major renovation is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Assets under construction represent buildings and fixtures under construction and are stated at costs or deemed costs. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for use.

**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 life as follows:

	Estimated useful life
Buildings	15 to 35 years
Office equipment, furniture and fixtures	5 to 10 years
Motor vehicles	4 to 8 years
Leasehold improvements	Over the lesser of the remaining term of the lease or the useful life

The useful life and depreciation method is 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.

**Impairment and gains or losses on sales**

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 recognized in the 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 a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the net profit.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.6 Financial assets****2.6.a Classification**

The Group classifies its financial assets into the following categories: held-to-maturity securities, securities at fair value through income, available-for-sale securities and loans and receivables. Management determines the classification of its financial assets at initial recognition and depend on the purpose for which the assets are acquired. 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 receivables arising from the insurance contracts as presented separately in the statement of financial position. The Group's investments in securities are mainly in the below three categories:

**(i) Held-to-maturity securities**

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

**(ii) Securities at fair value through income**

This category has two sub-categories: securities held for trading and those designated at fair value through income 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 income if they meet certain criteria and designated as such at inception.

**(iii) Available-for-sale securities**

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

**2.6.b Recognition and measurement**

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

Available-for-sale securities and securities at fair value through income are carried at fair value.

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 income category,

and the change of available-for-sale debt securities' fair value due to foreign exchange impact on the amortized cost are included in the net profit in the period in which they arise. The remaining unrealised gains and losses arising from changes in the fair value of available for sale debt securities and unrealised gains and losses arising from changes in the fair value of available for sale equity securities are recognized in other comprehensive income. When securities classified as available-for-sale securities are sold or impaired, the accumulated fair value adjustments are included in the net profit as realised gains or losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Financial assets (continued)**

**2.6.c Term deposits**

Term deposits primarily represent traditional bank deposits which have fixed maturity date and are stated at amortised cost.

**2.6.d Loans**

Loans originated by the Group are carried at amortised cost, net of allowance for impairment.

**2.6.e Securities purchased under agreements to resell**

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 cost plus accrued interest 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. Sales or transfers of the securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house.

**2.6.f Impairment of securities other than at fair value through income**

Securities other than those accounted for as at fair value through income are adjusted for impairments, where there are declines in value that are considered to be an impairment. In evaluating whether a decline in value is an impairment for debt securities and equity securities, the Group considers several factors including, but not limited to.

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;

The disappearance of an active market for that financial asset because of financial difficulties;

In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. When the decline in value is considered impairment, Held-to-maturity debt securities 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/(losses) 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 the net profit. The impairment losses recognised in net profit on equity instruments are not



reversed through the net profit.

## **2.7 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.

F-19

---

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.8 Insurance contracts and investment contracts****2.8.1 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 features ( DPF ). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, discretionary to the Group.

**2.8.2 Insurance contracts****2.8.2.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 the 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 considered the nature and distribution of the risks, claims cost development, and experiences in deriving the best estimated amount and the applicable margins. The methods used for reported claims include average cost per claim method, chain ladder method, etc. The Group calculated the reserves for claim expenses based on the best estimates of the future payments for claim expenses.

**(ii) 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.

The Company uses the discounted cash flow method to estimate the liabilities for 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 assumption, 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:

The guaranteed benefits based on contractual terms, including payments for deaths, disabilities, diseases, survivals, maturities and surrenders.

Additional non-guaranteed benefits, such as policyholder dividends.

Reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expenses and claim settlement expenses. Future administration expenses are included in the maintenance expenses. Expenses are determined based on expense analysis with consideration of estimate of future inflation and the likely impact of Company's expense management.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8.2 Insurance contracts (continued)**

**2.8.2.a Recognition and measurement (continued)**

(ii) Long-term insurance contracts (continued)

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

On each reporting date, the Company reviews the assumptions for reasonable estimates of liability and risk margins, with consideration of all available information, and taking into account the Company's historical experience and expectation of future events. Changes in assumptions are recognized in net profit. Assumptions for 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 recognized in the net profit in each period over the life of the contracts. At the inception of the contracts, the Group doesn't recognize Day 1 gain, whereas on the other hand, Day 1 loss is recognized in the net profit as incurred.

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

- (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 2.8.3), which are stated in the investment contracts liabilities.

**2.8.2.b Liability adequacy test**

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

**2.8.2.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 recognized as reinsurance assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Insurance contracts and investment contracts (continued)**

**2.8.2.c Reinsurance contracts held (continued)**

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 recognizes that impairment loss in the net profit.

**2.8.3 Investment contracts**

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

**2.8.4 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 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 affect the surplus owed to policyholders, shadow adjustments are recognized in other comprehensive income. The surplus owed to policyholders is recognized as policyholder dividend payable whether they are declare or not. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

**2.9 Securities sold with agreements to repurchase**

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within 180 days from the transaction date. 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.

**2.10 Derivative instruments**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognized in net profit. Fair values are obtained from quoted market prices in active markets, taking into

consideration recent market transactions or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Embedded derivatives that are not closely related to their host contracts and meet the definition of a derivative are separated and fair valued through profit or loss. The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or embedded derivatives that are closely relate 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).

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Employee benefits**

*Pension benefits*

The 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 formulas. These government agencies are responsible for the pension liability to these retired employees. 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 plan pursuant to the relevant laws and regulations in the PRC, whereby the Group are 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 vesting period is included in net fair value gains/(losses) through income in the consolidated statement of comprehensive income. The related liability is included in other liabilities.

**2.12 Share capital**

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

**2.13 Revenue recognition**

Turnover of the Group represents the total revenues which include the following:

Premiums

Premiums from long-term insurance contracts are recognized 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. Contracts for which the period of risk differs significantly from the contract period recognize premiums over the period of risk in



proportion to the amount of insurance protection provided.

#### Policy fee income

Revenue from investment contracts is recognized as policy fee income, which consists of various charges (policy fees, handling fees and management fees, etc.) over period service is provided. Excess charges over certain acquisition costs are deferred as unearned revenue and amortized over the expected life of the contracts. Policy fee income is recognised in revenue as part of 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 dividend payment is established.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.14 Current and deferred income taxation**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the 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 recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Substantively enacted tax rates are used in the determination of deferred income tax.

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

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

**2.15 Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments under operating leases are charged to the net profit on a straight-line basis over the lease periods.

**2.16 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 recognized because it is not probable that outflow of resources will be required or the amount of obligation cannot be measured reliably.

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

**2.17 Dividend distribution**

Dividend distribution to the Company's equity holders is recognized as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's equity holders.

F-24

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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 expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefit payments, premiums and relevant expenses, is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rates, 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 various assumptions are described in Note 13.

**3.2 Investments**

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

The Group considers a wide range of factors in the impairment assessment as described in Note 2.6.f.

Fair value is defined as the amount at which the financial assets and liabilities could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, rather than in a forced or liquidation sale. The methods and assumptions used by the Group in estimating the fair value of the financial assets 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 model. Equity securities, for which fair values cannot be measured reliably, are recognized at cost less impairment.

Term deposits (excluding structured deposits), loans and securities purchased or sold under agreements to resell or repurchase: the carrying amounts of these assets in the statement of financial position approximate fair value.

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

The valuation methodology of various investments is described in Note 4.3.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**3.3 Income tax**

The Group is subjected to income tax in various localities. During the normal course of business, certain transaction and activity for which the ultimate tax determination is uncertain. The Group needs to exercise significant judgment when determining the income tax. If the final settlement result of the tax matters are different from the amount booked, these differences will impact the final income tax expense and deferred tax for the period.

**4 Risk Management**

Risk management is carried out by the Risk Management Committee under policies approved by the 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 there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. 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 about 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 type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group manages insurance risk through underwriting strategy, 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. 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 reinsurances 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 credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

**4.1.2 Concentration of insurance risks**

The Group offers life insurance, annuity, accident and health insurance products. All operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (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:

<b>Product name</b>	<b>2010</b>		<b>2009</b>	
	<b>RMB million</b>	<b>%</b>	<b>RMB million</b>	<b>%</b>
<b>Premiums</b>				
Hong Ying Endowment (a)	68,612	22.63%		0.00%
Hong Fu Endowment (b)	44,320	14.61%	54,919	20.97%
Hong Feng Endowment (c)	29,868	9.85%	59,229	22.61%
Kang Ning Whole Life (d)	28,853	9.51%	30,151	11.51%
Hong Tai Endowment (2003) (e)	7,419	2.45%	11,300	4.31%
Others (f)	124,182	40.95%	106,306	40.60%
<b>Total</b>	<b>303,254</b>	<b>100.00%</b>	<b>261,905</b>	<b>100.00%</b>
<b>Insurance benefits expenses</b>				
Hong Ying Endowment (a)	27	0.06%		0.00%
Hong Fu Endowment (b)	146	0.32%	36	0.07%
Hong Feng Endowment (c)	28,869	63.39%	464	0.90%
Kang Ning Whole Life (d)	2,879	6.32%	2,772	5.38%
Hong Tai Endowment (2003) (e)	1,980	4.35%	29,173	56.59%
Others (f)	11,640	25.56%	19,111	37.06%
<b>Total</b>	<b>45,541</b>	<b>100.00%</b>	<b>51,556</b>	<b>100.00%</b>
<b>Liabilities of long-term insurance contracts</b>				
Hong Ying Endowment (a)	62,538	6.20%		0.00%
Hong Fu Endowment (b)	100,375	9.95%	58,369	7.21%
Hong Feng Endowment (c)	260,896	25.85%	265,270	32.78%
Kang Ning Whole Life (d)	104,800	10.39%	85,260	10.54%
Hong Tai Endowment (2003) (e)	31,479	3.12%	28,757	3.55%
Others (f)	448,808	44.49%	371,567	45.92%
<b>Total</b>	<b>1,008,896</b>	<b>100.00%</b>	<b>809,223</b>	<b>100.00%</b>

(a)



Hong Ying is long-term individual endowment insurance contract with options for premium term of single, 3 years, 5 years and 10 years, designed for healthy policyholders of age between 30 days and 70 years old. Maturity benefit for lump sum premium is paid at 100% of basic sum insured. Maturity benefit for regular premium is paid at basic sum insured multiplied by number of year of premium payments. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefits incurred exceed one year after contract effective date are paid at basic sum insured and basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively. For accident death occurs on train, ship or flight, accident death benefit is paid at 300% of basic sum insured and 300% of basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively. For accident death not on train, ship and flight, accident death benefit is paid at 200% of basic sum insured and 200% of basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively.

- (b) Hong Fu is long-term individual endowment insurance contract with options for premium term of single and 3 year, designed for healthy policyholders of age between 30 days and 60 years old. Maturity benefit for lump sum premium is paid at 100% of basic sum insured. Maturity benefit for regular premium is paid at basic sum insured multiplied by number of year of premium payments. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefits incurred exceed one year after contract effective date are paid at basic sum insured and basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively. Accident death benefit is paid at 300% of basic sum insured and 300% of basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**

**4.1 Insurance risk (continued)**

**4.1.2 Concentration of insurance risks (continued)**

- (c) Hong Feng is long-term individual endowment insurance contract with options for premium term of single. Insured period can be 5 years or 10 years. The insured can be benefited up to age of 65. Maturity benefit is paid at 100% of basic sum insured. Disease Death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefit incurred exceed one year after contract effective date is paid at basic sum insured. Accident death benefit is paid at 300% of basic sum insured.
- (d) Kang Ning Whole Life is long-term individual whole life insurance contract with options for premium term of single, 10 years or 20 years. Its critical illness benefit accounts for 200% of basic sum insured. Both death and disability benefit are paid at 300% of basic sum insured less any paid critical illness benefit.
- (e) Hong Tai (2003) is long-term individual endowment insurance contract with options for premium term of single and 5 years, 10 years, 15 years and 20 years, designed for healthy policyholders of age between 30 days and 60 years old. Maturity benefit for lump sum premium is paid at 100% of basic sum insured. Maturity benefit for regular premium is paid at basic sum insured multiplied by number of year of premium payments. Disease death benefit incurred within one year after contract effective date is paid at premium received (without interest). Disease death benefits incurred exceed one year after contract effective date are paid at basic sum insured and basic sum insured multiplied by number of year of premium payments for lump sum premium and regular premium respectively.
- (f) Others consist of various long-term insurance contracts with no significant concentration.

**4.1.3 Sensitivity Analysis**

**Sensitive 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 current best estimate by 10%, pre-tax profit for the year would have been RMB 9,993 million or RMB 10,435 million (2009: RMB 8,899 million or RMB 9,290 million) lower or higher, respectively.

Holding all other variables constant, if lapse rates were to increase or decrease from current best estimate by 10%, pre-tax profit for the year would have been RMB 5,862 million or RMB 6,221 million (2009: RMB 5,426 million or RMB 5,802 million) lower or higher, respectively.

Holding all other variables constant, if the discount rates were 50 basis points higher or lower than current best estimate, pre-tax profit for the year would have been RMB 26,858 million or RMB 31,084 million (2009: RMB

23,429 million or RMB 27,157 million) higher or lower, respectively.

**Sensitive 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 loss ratios are 100 basis points higher or lower than current assumption, pre-tax profit is expected to be RMB 149 million lower or higher, respectively (2009: RMB 132 million). Management believes that the 100 basis points deviation used in the sensitivity analysis represents a deviation in the expected level of claims that could be reasonably expected for this type of business.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.1 Insurance risk (continued)****4.1.3 Sensitivity Analysis (continued)**

The following table indicates the claim development for short-term insurance contracts without taking account of reinsurance impacts:

Estimated claims expenses	2006	Short-term insurance contracts (accident year)				Total
		2007	2008	2009	2010	
Current year	6,771	7,082	7,725	8,102	8,826	
1 year later	6,074	6,891	7,591	8,291		
2 years later	6,168	6,990	7,411			
3 years later	6,168	6,990				
4 years later	6,168					
Estimated claims expenses	6,168	6,990	7,411	8,291	8,826	37,686
Accumulated claims expenses paid	(6,168)	(6,990)	(7,411)	(7,854)	(5,959)	(34,382)
Unpaid claims expenses				437	2,867	3,304

The following table indicates the claim development for short-term insurance contracts taking account of reinsurance impacts:

Estimated claims expenses	2006	Short-term insurance contracts (accident year)				Total
		2007	2008	2009	2010	
Current year	6,703	7,036	7,671	8,018	8,741	
1 year later	6,013	6,847	7,538	8,205		
2 years later	6,106	6,945	7,360			
3 years later	6,106	6,945				
4 years later	6,106					
Estimated accumulated claims	6,106	6,945	7,360	8,205	8,741	37,357
Accumulated claims expenses paid	(6,106)	(6,945)	(7,360)	(7,772)	(5,902)	(34,085)

Unpaid claims expenses	433	2,839	3,272
------------------------	-----	-------	-------

#### 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 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.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**

**4.2 Financial risk (continued)**

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 8 to the consolidated financial statements.

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

**4.2.1 Market risk**

**(i) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets are principally comprised of term deposits and debt securities. Changes in the level of interest rates 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.

At 31 December 2010, 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 RMB 1,066 million (2009: RMB 823 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 and debt securities and the fair value losses or gains on debt securities assets at fair value through income, net of portion attributable to participating policyholders. Pre-tax available-for sale reserve in equity would have been RMB 8,771 million (2009: RMB 7,583 million) lower or higher respectively as a result of a decrease or increase in the fair value of available-for-sale securities, net of portion attributable to participating policyholders.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.2 Financial risk (continued)****4.2.1 Market risk (continued)****(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.

At 31 December 2010, 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 RMB113 million (2009: RMB 127 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, net of portion attributable to participating policyholders. Pre-tax available-for-sale reserve in equity would have been RMB 11,942 million higher or lower (2009: RMB 11,470 million) as a result of an increase or decrease in fair value of available-for-sale equity securities, net of portion attributable to participating policyholders.

**(iii) Currency risk**

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group operates principally in the PRC except for limited exposure to foreign exchange rate risk arising primarily with respect to structured deposits, debt securities and common stocks denominated in US dollar or HK dollar.

The Group holds shares traded on the HK stock market, which are traded in HK dollars. Investment income from H share holdings partially compensates adverse impact of appreciation of Renminbi.

The following table summarizes financial assets denominated in currencies other than RMB as at 31 December 2010 and 2009, expressed in RMB equivalent:

<b>As at 31 December 2010</b>	<b>US dollars</b>	<b>HK dollars</b>	<b>Total</b>
Equity securities			
- Available-for-sale securities		5,845	5,845
Debt securities			
- Held-to-maturity securities	1,987	6	1,993
- Available-for-sale securities		20	20
Term deposits (excluding structured deposits)	33		33
Structured deposits			
Cash and cash equivalents	8,855	1,458	10,313

<b>Total</b>	<b>10,875</b>	<b>7,329</b>	<b>18,204</b>
--------------	---------------	--------------	---------------

F-31

---



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.2 Financial risk (continued)****4.2.1 Market risk (continued)****(iii) Currency risk (continued)**

As at 31 December 2009	US dollars	HK dollars	Total
Equity securities			
- Available-for-sale securities		13,570	13,570
Debt securities			
- Held-to-maturity securities	2,048	7	2,055
- Available-for-sale securities	854		854
Term deposits (excluding structured deposits)	6,814		6,814
Structured deposits	273		273
Cash and cash equivalents	1,911	1,538	3,449
<b>Total</b>	<b>11,900</b>	<b>15,115</b>	<b>27,015</b>

Monetary assets are exposed to currency risk whereas non-monetary assets, such as equity securities, are exposed to price risk. As at 31 December 2010, if RMB had strengthened or weakened by 10% against US dollars and HK dollar with all other variables held constant, pre-tax profit for the year would have been RMB 1,236 million (2009: RMB 1,345 million) lower or higher, respectively, mainly as a result of foreign exchange losses or gains on translation of US dollar and HK dollar denominated financial assets other than the equity securities included in the table above. The actual exchange loss in year 2010 is RMB 392 million.

**4.2.2 Credit risk**

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. Because the Group is limited in the types of investments as permitted by China Insurance Regulatory Commission ( CIRC ) and a significant portion of the portfolio is in government bonds, government agency bonds and term deposits with the state-owned commercial banks, the Group's overall exposure to credit risk is relatively low.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group manages credit risk through in-house fundamental analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, the Group obtains collateral in the form of rights to cash, securities, property and equipment.

*Credit risk exposure*

The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit risk exposure without taking account of any collateral held or other credit enhancements

attached. The Group has no credit risk exposure relating to off balance sheet items as at 31 December 2010 and 2009.

*Collateral and other credit enhancements*

Securities purchased under agreements to resell are pledged by counterpart's debt securities or term deposits of which the Group could take the ownership should the owner of the collateral default. Policy loans and premium receivables are collateralized by their policies' cash value according to the terms and conditions of policy loan contracts and policy contracts respectively signed by the Group together with policyholders.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**

**4.2 Financial risk (continued)**

**4.2.2 Credit risk (continued)**

*Credit quality*

The Group's debt securities investment includes government bonds, government agency bonds, corporate bonds and subordinated bonds or debts, and most of the debt securities are guaranteed by either the Chinese government or a Chinese government controlled financial institution. As at 31 December 2010, 100% (as at 31 December 2009: 100%) of the corporate bonds held by the Group have credit rating of AA/A-2 or above. As at 31 December 2010, 99.1% (as at 31 December 2009: 99.5%) of the subordinated bonds or debts held by the Group either have credit rating of AA/A-2 or above, or were issued by national commercial banks. The bond or debt's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance.

As at 31 December 2010, 100% (as at 31 December 2009: 100%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited (CSDCC) in the PRC, and almost all of the reinsurance agreements of the Group are with a state-owned reinsurance company. The Group believes these commercial banks, CSDCC and the reinsurance company have a high credit quality. As a result, the Group concludes credit risk associated with term deposits and accrued investment income thereof, statutory deposits-restricted, cash equivalents and reinsurance assets will not cause material impact on the Group's consolidated financial statements as at 31 December 2010 and 2009.

The credit risk associated with securities purchased under agreements to resell, policy loans and premium receivables will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and maturity term of no more than one year as at 31 December 2010 and 2009.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.2 Financial risk (continued)****4.2.3 Liquidity risk**

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due.

In the normal course of business, the Group attempts to match the maturity of financial assets to the maturity of insurance and financial liabilities.

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

As at 31 December 2010	Carrying amount	Without maturity	Contractual and expected cash flows (undiscounted)			
			Not later than 1 year	Later than 1 year but not later than 3 years	Later than 3 years but not later than 5 years	Later than 5 years
<b>Financial assets</b>						
<b>Contractual cash inflows/(outflows)</b>						
Equity securities	195,899	195,899				
Debt securities	608,142		42,602	68,533	97,955	733,144
Loans	36,543		24,754	1,602	3,330	13,689
Term deposits	441,585		30,097	152,241	246,050	85,383
Statutory deposits-restricted	6,153		522	5,913	214	
Accrued investment income	18,193		17,537	656		
Premiums receivable	7,274		7,274			
Cash and cash equivalent	47,839		47,839			
<b>Subtotal</b>	<b>1,361,628</b>	<b>195,899</b>	<b>170,625</b>	<b>228,945</b>	<b>347,549</b>	<b>832,216</b>
<b>Financial and insurance liabilities</b>						
<b>Expected cash outflows/(inflows)</b>						

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

Insurance contracts	1,018,135	(12,805)	59,027	98,822	1,679,736
Investment contracts	70,087	15,566	18,495	14,320	47,219
<b>Contractual cash outflows/(inflows)</b>					
Securities sold under agreements to repurchase	23,065	23,065			
Annuity and other insurance balances payable	8,275	8,275			
<b>Subtotal</b>	1,119,562	34,101	77,522	113,142	1,726,955
<b>Net cash inflows/(outflows)</b>	<b>242,066</b>	<b>195,899</b>	<b>136,524</b>	<b>234,407</b>	<b>(894,739)</b>

F-34

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.2 Financial risk (continued)****4.2.3 Liquidity risk (continued)**

As at 31 December 2009	Carrying amount	Without maturity	Contractual and expected cash flows (undiscounted)			
			Not later than 1 year	Later than 1 year but not later than 3 years	Later than 3 years but not later than 5 years	Later than 5 years
<b>Financial assets</b>						
<b>Contractual cash inflows/(outflows)</b>						
Equity securities	179,390	179,390				
Debt securities	582,285		27,803	91,257	85,720	686,923
Loans	23,081		14,448	1,234	1,234	12,746
Term deposits	344,983		91,552	79,100	149,936	65,405
Statutory deposits-restricted	6,153		191	2,319	4,406	
Accrued investment income	14,208		14,208			
Premiums receivable	6,818		6,818			
Cash and cash equivalent	36,176		36,176			
<b>Subtotal</b>	<b>1,193,094</b>	<b>179,390</b>	<b>191,196</b>	<b>173,910</b>	<b>241,296</b>	<b>765,074</b>
<b>Financial and insurance liabilities</b>						
<b>Expected cash outflows/(inflows)</b>						
Insurance contracts	818,164		(7,558)	34,103	118,673	1,335,276
Investment contracts	67,274		18,386	20,121	13,595	34,352
<b>Contractual cash outflows/(inflows)</b>						
Securities sold under agreements to repurchase	33,553		33,553			
Annuity and other insurance balances payable	5,721		5,721			

<b>Subtotal</b>	924,712		50,102	54,224	132,268	1,369,628
<b>Net cash inflows/(outflows)</b>	268,382	179,390	141,094	119,686	109,028	(604,554)

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

The liquidity analysis above does not include policy holder dividends payable amounting to RMB 52,828 million as at 31 December 2010 (2009: RMB 54,587 million). At 31 December 2010, declared dividends of RMB 31,785 million (2009: RMB 23,833 million) included in policyholder dividends payable have a maturity not later than one year. For the remaining policyholder dividends payable, the amount and timing of the cash flows are indeterminate due to the uncertainty of future experiences including investment returns and are subject to future declarations by the Group.

Although all investment contracts (with DPF and without DPF) and universal life insurance contracts contain contractual options to surrender that can be exercised immediately by all policyholders at once, the Group's expected cash flows as shown in the above tables are based on past experience and future expectations. The other maturity analysis is conducted on the assumption that these contracts were surrendered immediately. This would cause a cash outflow of RMB 50,434 million, RMB 3,639 million and RMB 15,456 million respectively for the period ended 31 December 2010 (2009: RMB 50,365 million, RMB 1,482 million and RMB 14,891 million respectively), payable within one year.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.2 Financial risk (continued)****4.2.4 Capital management**

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

The Group is also subject to other local capital requirements, such as statutory deposits-restricted requirement, statutory reserve fund requirement and discretionary reserve fund requirement, discussed in detail under Note 8.4 and Note 31, respectively.

The Group ensures its continuous and full compliance with the regulations mainly through monitoring its quarterly and annual solvency margin, as well as the solvency margin based on Dynamic Solvency Testing. The Group has complied with all the local capital requirements during the year ended, 31 December 2010.

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

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
Actual capital	123,769	147,119
Minimum capital	58,385	48,459
Solvency ratio	212%	304%

According to Solvency Regulations of Insurance Companies, the solvency ratio is computed by dividing the actual capital by the minimum capital. CIRC closely monitors those insurance companies with solvency ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restriction of payment of dividends. Insurance companies with solvency ratio between 100% and 150% will be required to submit and implement plans preventing capital deterioration to an inadequate level. Insurance companies with solvency ratio above 100% but significant solvency risk identified would be required to take necessary rectifying actions.



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**

**4.3 Fair value hierarchy**

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

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

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

At 31 December 2010, investments classified as Level 1 comprise approximately 42.33% of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include certain debt securities, equity securities that are traded in an active exchange market or inter-bank market. The Group considers a combination of certain factors to determine whether a market for a financial instrument is active, including the occurrence of trades within the specific period, the respective trading volume, and the degree which the implied yields for a debt security for observed transactions differs from the Group's understanding of the current relevant market rates and information.

At 31 December 2010, investments classified as Level 2 comprise approximately 57.37% of financial assets measured at fair value on a recurring basis. They primarily include certain debt securities and equity securities. 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 internal valuation models, provide a theoretical quote on various securities.

At 31 December 2010, investments classified as Level 3 comprise approximately 0.30% of financial assets measured at fair value on a recurring basis. They primarily include subordinated debts, certain corporate and government agency bonds and certain equity securities. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

For the years ended 31 December 2010 and 2009, most of these prices obtained from the pricing services are for debt securities issued by the Chinese government and government controlled organizations. These pricing services utilize a discounted cash flow valuation model using market observable inputs, mainly interest rates, to determine a fair value. These debt securities are classified as Level 2.

F-37

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.3 Fair value hierarchy (continued)**

For the accounting policies regarding the determination of the fair values of financial assets and financial liabilities, see Note 3.2.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2010:

	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Available-for-sale securities				
Equity securities	189,600	2,685	1,384	193,669
Debt securities	39,141	315,010	301	354,452
Securities at fair value through income				
Equity securities	2,249			2,249
Debt securities	5,182	2,331		7,513
<b>Total assets</b>	<b>236,172</b>	<b>320,026</b>	<b>1,685</b>	<b>557,883</b>
<b>Liabilities</b>				
Investment contracts at fair value through income	(84)			(84)
<b>Total liabilities</b>	<b>(84)</b>			<b>(84)</b>

The following table presents the changes in Level 3 instruments for the year ended 31 December 2010:

	Available-for-sale Securities		Securities at fair value through income	Total assets
	Debt securities	Equity securities	Equity securities	
Opening balance	301	1,238		1,539
Total gains or losses recognized in				
Profit or loss				
Other comprehensive income/(loss)		1		1
Transfer into Level 3		17		17
Purchases		128		128
Settlements				

Closing balance	301	1,384	1,685
Total gains or losses for 2010 included in income for assets and liabilities held at 31 December 2010			

F-38

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)****4.3 Fair value hierarchy (continued)**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2009:

	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
Available-for-sale securities				
Equity securities	172,383	3,053	1,238	176,674
Debt securities	42,308	298,216	301	340,825
Securities at fair value through income				
Equity securities	2,704	38		2,742
Debt securities	2,628	3,763		6,391
<b>Total assets</b>	<b>220,023</b>	<b>305,070</b>	<b>1,539</b>	<b>526,632</b>
<b>Liabilities</b>				
Investment contracts at fair value through income	(52)			(52)
<b>Total liabilities</b>	<b>(52)</b>			<b>(52)</b>

The following table presents the changes in Level 3 instruments for the year ended 31 December 2009:

	Available-for-sale Securities		Securities at fair value through income	Total assets
	Debt securities	Equity securities	Equity securities	
Opening balance	385	1,007	15	1,407
Total gains or losses recognized in				
Profit or loss	3		15	18
Other comprehensive income/(loss)	(3)	127		124
Transfer out of Level 3		(617)	(30)	(647)
Purchases		721		721
Sales				
Issues				
Settlements	(84)			(84)

Closing balance	301	1,238	1,539
-----------------	-----	-------	-------

Total gains or losses for 2009 included in income  
for assets and liabilities held at 31  
December 2009

In 2010 and 2009, the Group transferred certain debt and equity securities between Level 1, Level 2 and Level 3 due to changes in availability of market observable inputs.

F-39

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION**

**5.1 Operating segments**

The Group operates in four operating segments:

(i) Individual life insurance business (Individual life)

Individual life insurance business relates primarily to the sale of long-term life insurance contracts and universal life contracts which are mainly term life, whole life, endowment and annuity products, to individuals and assumed individual reinsurance contracts.

(ii) Group life insurance business (Group life)

Group life insurance business relates primarily to the sale of insurance contracts and investment contracts, which are mainly term life, whole life and annuity products, to group entities.

(iii) Short-term insurance business (Short-term)

Short-term insurance business relates primarily to the sale of short-term insurance contracts, which are mainly the short-term accident and health insurance contracts.

(iv) Corporate and other business (Corporate and other)

Corporate and other business relates primarily to income and allocated costs of insurance agency business in respect of the provision of services to CLIC, as described in Note 29, share of results of associates, income and expenses of subsidiaries, unallocated income and expenditure of the Group.

**5.2 Allocation basis of income and expenses**

Investment income, net realised gains or losses on financial assets, net fair value gains or losses through income and foreign exchange losses within other operating expenses are allocated among segments in proportion to each respective segment's average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Administrative expenses and certain other operating expenses are allocated among segments in proportion to the unit cost of respective products in the different segments. Except for those arising from investment contracts which can be allocated to the corresponding segments above, other income and other operating expenses are presented in the Corporate & Other segment directly. Income tax is not allocated.

**5.3 Allocation basis of assets and liabilities**

Financial assets and securities sold under agreements to repurchase are allocated among segments in proportion to each respective segment's average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Insurance liabilities are presented under the respective segments. The remaining assets and liabilities are not allocated.





**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION (continued)**

	For the year ended 31 December 2010					Total
	Individual life	Group life	Short-term (RMB million)	Corporate & other	Elimination	
<b>Revenues</b>						
Gross written premiums	302,781	473	14,975			318,229
- Term Life	1,964	287				
- Whole Life	37,783	165				
- Endowment	220,505					
- Annuity	42,529	21				
Net premiums earned	302,753	468	14,867			318,088
Investment income	45,535	2,691	448	198		48,872
Net realised gains on financial assets	14,738	871	145	87		15,841
Net fair value gains through income	247	14	2	17		280
Other income	614	244		2,583	(684)	2,757
Including: inter-segment revenue				684	(684)	
<b>Segment revenues</b>	<b>363,887</b>	<b>4,288</b>	<b>15,462</b>	<b>2,885</b>	<b>(684)</b>	<b>385,838</b>
<b>Benefits, claims and expenses</b>						
Insurance benefits and claims						
Life insurance death and other benefits	(70,872)	(365)				(71,237)
Accident and health claims and claim adjustment expenses			(8,740)			(8,740)
Increase in insurance contracts liabilities	(199,469)	(186)				(199,655)
Investment contract benefits	(1,264)	(686)				(1,950)
Policyholder dividends resulting from participation in profits	(12,277)	(947)				(13,224)
Underwriting and policy acquisition costs	(24,182)	(88)	(2,794)	(192)		(27,256)
Administrative expenses	(14,927)	(429)	(2,952)	(1,977)		(20,285)

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

Other operating expenses	(2,717)	(833)	(495)	(294)	684	(3,655)
Including: Inter-segment expenses	(640)	(38)	(6)		684	
Statutory insurance fund contribution	(489)	(14)	(96)			(599)
<b>Segment benefits, claims and expenses</b>	<b>(326,197)</b>	<b>(3,548)</b>	<b>(15,077)</b>	<b>(2,463)</b>	<b>684</b>	<b>(346,601)</b>
Share of results of associates				1,771		1,771
<b>Segment results</b>	<b>37,690</b>	<b>740</b>	<b>385</b>	<b>2,193</b>		<b>41,008</b>
Attributable to						
- equity holders of the Company						33,626
- non-controlling interests						185
<b>Unrealised losses from Available-for-sale securities included in equity holder s equity</b>	<b>(15,088)</b>	<b>(892)</b>	<b>(148)</b>	<b>(75)</b>		<b>(16,203)</b>
<b>Depreciation and amortisation</b>	<b>1,418</b>	<b>40</b>	<b>283</b>	<b>61</b>		<b>1,802</b>

F-41

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION (continued)**

	<b>Individual life</b>	<b>Group life</b>	<b>As at 31 December 2010</b>		<b>Elimination</b>	<b>Total</b>
			<b>Short- term</b>	<b>Corporate &amp; other</b>		
			<b>(RMB million)</b>			
<b>Assets</b>						
Financial assets (including cash and cash equivalents)	1,263,081	73,241	12,185	5,931		1,354,438
Other	719		89	20,892		21,700
<b>Segment assets</b>	<b>1,263,800</b>	<b>73,241</b>	<b>12,274</b>	<b>26,823</b>		<b>1,376,138</b>
<b>Unallocated</b>						
Property, plant and equipment						18,946
Other						15,495
<b>Total</b>						<b>1,410,579</b>
<b>Liabilities</b>						
Insurance contracts	1,008,201	695	9,239			1,018,135
Investment contracts	15,664	54,507				70,171
Securities sold under agreements to repurchase	21,199	1,253	208	405		23,065
Other	331	223				554
<b>Segment liabilities</b>	<b>1,045,395</b>	<b>56,678</b>	<b>9,447</b>	<b>405</b>		<b>1,111,925</b>
<b>Unallocated</b>						
Other						88,179
<b>Total</b>						<b>1,200,104</b>



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION (continued)**

	Individual life	Group life	For the year ended 31 December 2009			Elimination	Total
			Short- term (RMB million)	Corporate & other			
<b>Revenues</b>							
Gross written premiums	261,715	190	14,065				275,970
- Term Life	805	112					
- Whole Life	37,860	60					
- Endowment	184,841						
- Annuity	38,209	18					
Net premiums earned	261,694	189	13,194				275,077
Investment income	35,693	2,614	408	175			38,890
Net realised gains on financial assets	19,522	1,430	222	70			21,244
Net fair value gains through income	1,330	97	16	6			1,449
Other income	283	331		2,586	(570)		2,630
Including: inter-segment revenue				570	(570)		
<b>Segment revenues</b>	<b>318,522</b>	<b>4,661</b>	<b>13,840</b>	<b>2,837</b>	<b>(570)</b>		<b>339,290</b>
<b>Benefits, claims and expenses</b>							
Insurance benefits and claims							
Life insurance death and other benefits	(74,416)	(442)					(74,858)
Accident and health claims and claim adjustment expenses			(7,808)				(7,808)
Increase in insurance contracts liabilities	(154,552)	180					(154,372)
Investment contract benefits	(560)	(1,582)					(2,142)
Policyholder dividends resulting from participation in profits	(13,181)	(1,306)					(14,487)
Underwriting and policy acquisition costs	(20,881)	(113)	(1,877)	(65)			(22,936)
Administrative expenses	(13,057)	(779)	(3,236)	(1,647)			(18,719)
Other operating expenses	(1,702)	(131)	(387)	(740)	570		(2,390)

Including: Inter-segment expenses	(504)	(37)	(6)	(23)	570	
Statutory insurance fund contribution	(404)	(21)	(112)			(537)
<b>Segment benefits, claims and expenses</b>	<b>(278,753)</b>	<b>(4,194)</b>	<b>(13,420)</b>	<b>(2,452)</b>	<b>570</b>	<b>(298,249)</b>
Share of results of associates				704		704
<b>Segment results</b>	<b>39,769</b>	<b>467</b>	<b>420</b>	<b>1,089</b>		<b>41,745</b>
Attributable to						
- equity holders of the Company						32,881
- non-controlling interests						155
<b>Unrealised gains/(losses) from Available-for-sale securities included in equity holder s equity</b>	<b>9,953</b>	<b>729</b>	<b>113</b>	<b>(50)</b>		<b>10,745</b>
<b>Depreciation and amortisation</b>	<b>1,169</b>	<b>69</b>	<b>289</b>	<b>33</b>		<b>1,560</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION (continued)**

	Individual life	Group life	As at 31 December 2009		Elimination	Total
			Short- term (RMB million)	Corporate & other		
<b>Assets</b>						
Financial assets (including cash and cash equivalents)	1,089,127	78,752	12,250	6,224		1,186,353
Other	701		114	8,470		9,285
<b>Segment assets</b>	<b>1,089,828</b>	<b>78,752</b>	<b>12,364</b>	<b>14,694</b>		<b>1,195,638</b>
<b>Unallocated</b>						
Property, plant and equipment						17,467
Other						13,152
<b>Total</b>						<b>1,226,257</b>
<b>Liabilities</b>						
Insurance contracts	808,591	632	8,941			818,164
Investment contracts	14,579	52,747				67,326
Securities sold under agreements to repurchase	30,250	2,215	345	743		33,553
Other	120	436				556
<b>Segment liabilities</b>	<b>853,540</b>	<b>56,030</b>	<b>9,286</b>	<b>743</b>		<b>919,599</b>
<b>Unallocated</b>						
Other						93,882
<b>Total</b>						<b>1,013,481</b>





**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 SEGMENT INFORMATION (continued)**

	For the year ended 31 December 2008					
	Individual life	Group life	Short- term (RMB million)	Corporate & other	Elimination	Total
<b>Revenues</b>						
Gross written premiums	252,130	340	13,186			265,656
- Term Life	308	25				
- Whole Life	35,421	274				
- Endowment	188,099					
- Annuity	28,302	41				
Net premiums earned	252,113	339	12,725			265,177
Investment income	40,407	3,699	524	316		44,946
Net realised losses on financial assets	(5,355)	(490)	(69)	(50)		(5,964)
Net fair value losses on assets at fair value through income	(6,382)	(584)	(83)	(145)		(7,194)
Other income	605	683		2,513	(381)	3,420
including: inter-segment revenue				381	(381)	
<b>Segment revenues</b>	<b>281,388</b>	<b>3,647</b>	<b>13,097</b>	<b>2,634</b>	<b>(381)</b>	<b>300,385</b>
<b>Benefits, claims and expenses</b>						
Insurance benefits and claims						
Life insurance death and other benefits	(88,507)	(1,152)				(89,659)
Accident and health claims and claim adjustment expenses			(7,641)			(7,641)
Increase in insurance contracts liabilities	(135,298)	649				(134,649)
Investment contract benefits	(224)	(1,707)				(1,931)
Policyholder dividends resulting from participation in profits	(1,589)	(82)				(1,671)
Underwriting and policy acquisition costs	(22,127)	(212)	(1,848)	(13)		(24,200)
Administrative expenses	(11,347)	(761)	(2,614)	(1,930)		(16,652)
Other operating expenses	(2,826)	(273)	(263)	(428)	381	(3,409)

including: Inter-segment expenses	(212)	(19)	(3)	(147)	381	
Statutory insurance fund	(395)	(28)	(135)			(558)
<b>Segment benefits, claims and expenses</b>	<b>(262,313)</b>	<b>(3,566)</b>	<b>(12,501)</b>	<b>(2,371)</b>	<b>381</b>	<b>(280,370)</b>
Share of results of associates				(56)		(56)
<b>Segment results</b>	<b>19,075</b>	<b>81</b>	<b>596</b>	<b>207</b>		<b>19,959</b>
Attributable to						
- equity holders of the Company						19,137
- minority interests						137
<b>Unrealised gains/(losses) included in equity holder s equity</b>	<b>(30,457)</b>	<b>(2,788)</b>	<b>(395)</b>	<b>188</b>		<b>(33,452)</b>
<b>Depreciation and amortisation</b>	<b>1,014</b>	<b>68</b>	<b>248</b>	<b>28</b>		<b>1,358</b>

Table of Contents

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**6 PROPERTY, PLANT AND EQUIPMENT**

	<b>2010</b>					
	<b>Buildings</b>	<b>Office equipment furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Assets under construction</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>(RMB Million)</b>					
<b>Cost</b>						
As at 1 January 2010	14,072	4,635	1,846	3,536	792	24,881
Transfers upon completion	2,975	104		(3,147)	68	
Additions	484	871	194	2,030	20	3,599
Disposals	(60)	(251)	(231)	(339)	(16)	(897)
<b>As at 31 December 2010</b>	<b>17,471</b>	<b>5,359</b>	<b>1,809</b>	<b>2,080</b>	<b>864</b>	<b>27,583</b>
<b>Accumulated depreciation</b>						
As at 1 January 2010	(3,276)	(2,587)	(1,149)		(372)	(7,384)
Charge for the year	(627)	(680)	(179)		(141)	(1,627)
Disposals	8	188	191		17	404
<b>As at 31 December 2010</b>	<b>(3,895)</b>	<b>(3,079)</b>	<b>(1,137)</b>		<b>(496)</b>	<b>(8,607)</b>
<b>Impairment</b>						
As at 1 January 2010	(30)					(30)
Charge for the year						
Disposals						
<b>As at 31 December 2010</b>	<b>(30)</b>					<b>(30)</b>
<b>Net book value</b>						
As at 1 January 2010	10,766	2,048	697	3,536	420	17,467
<b>As at 31 December 2010</b>	<b>13,546</b>	<b>2,280</b>	<b>672</b>	<b>2,080</b>	<b>368</b>	<b>18,946</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	2009					
	Buildings	Office equipment furniture and fixtures	Motor vehicles  (RMB Million)	Assets under construction	Leasehold improvements	Total
<b>Cost</b>						
As at 1 January 2009	13,397	4,092	1,853	3,024	691	23,057
Transfers upon completion	560	6		(607)	41	
Additions	190	750	157	1,520	78	2,695
Disposals	(75)	(213)	(164)	(401)	(18)	(871)
<b>As at 31 December 2009</b>	<b>14,072</b>	<b>4,635</b>	<b>1,846</b>	<b>3,536</b>	<b>792</b>	<b>24,881</b>
<b>Accumulated depreciation</b>						
As at 1 January 2009	(2,789)	(2,157)	(1,116)		(243)	(6,305)
Charge for the year	(502)	(598)	(175)		(139)	(1,414)
Disposals	15	168	142		10	335
<b>As at 31 December 2009</b>	<b>(3,276)</b>	<b>(2,587)</b>	<b>(1,149)</b>		<b>(372)</b>	<b>(7,384)</b>
<b>Impairment</b>						
As at 1 January 2009	(32)					(32)
Charge for the year	(1)					(1)
Disposals	3					3
<b>As at 31 December 2009</b>	<b>(30)</b>					<b>(30)</b>
<b>Net book value</b>						
As at 1 January 2009	10,576	1,935	737	3,024	448	16,720
<b>As at 31 December 2009</b>	<b>10,766</b>	<b>2,048</b>	<b>697</b>	<b>3,536</b>	<b>420</b>	<b>17,467</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**7 INVESTMENTS IN ASSOCIATES**

	<b>2010</b> <b>RMB million</b>	<b>2009</b> <b>RMB million</b>
<b>As at 1 January</b>	8,470	7,891
Additional capital contribution to associates (i) (iii)	5,777	
Transfer in associates (ii)	5,123	
Share of results	1,771	704
Other equity movements	(131)	(70)
Dividend received	(118)	(55)
<b>As at 31 December</b>	<b>20,892</b>	<b>8,470</b>

The Group's investments in associates are unlisted except for Sino-Ocean which is listed in Hong Kong. As at 31 December 2010, the stock price of Sino-Ocean is HK \$5.19 per share. The Group's share of associates' assets and liabilities at 31 December 2010 and revenue and profit/(loss) after tax for the year then ended are as follows:

**Assets and liabilities of associates**

<b>Name</b>	<b>Country of incorporation</b>	<b>Interest held</b>	<b>Assets</b> RMB million	<b>Liabilities</b> RMB million
Guangdong Development Bank ( GDB )	PRC	20%	165,979	154,356
China Life Property & Casualty Insurance Company Limited ( CLP&C )	PRC	40%	6,042	4,870
Sino-Ocean Land Holdings Limited ( Sino-Ocean ) (ii)(iii)	Hong Kong	24.07%	22,409	14,312
<b>Total as at 31 December 2010</b>			<b>194,429</b>	<b>173,547</b>
GDB	PRC	20%	136,344	128,859
CLP&C	PRC	40%	4,855	3,876
China Life Insurance Brokers ( CIB )	PRC	49%	6	
<b>Total as at 31 December 2009</b>			<b>141,205</b>	<b>132,735</b>

**Revenues and profit/(loss) after tax of associates**

<b>Name</b>	<b>Revenue</b> RMB million	<b>Profit /(loss)</b> <b>after tax</b> RMB million
-------------	-------------------------------	--

GDB	4,392	1,237
CLP&C	3,558	245
Sino-Ocean	3,303	289
<b>Total for the year ended 31 December 2010</b>	<b>11,252</b>	<b>1,771</b>
GDB	3,023	673
CLP&C	2,946	32
CIB		(1)
<b>Total for the year ended 31 December 2009</b>	<b>5,969</b>	<b>704</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**7 INVESTMENTS IN ASSOCIATES (continued)**

- (i) In July 2010, the Group injected additional capital of RMB 2,999 million in cash, at a price of RMB 4.38 per share to GDB, representing shares offered to all existing owners of GDB on a pro-rata basis. The Group holds 3.08 billion shares of GDB and its interest in GDB remains at 20% of GDB's registered capital.
  
- (ii) On December 27, 2009, the Group purchased 934 million shares of Sino-Ocean at the total cost of HKD 5,819 million. As a result of this acquisition, the Group held 16.57% of the total outstanding shares of Sino-Ocean as at 31 December 2009.

On January 12, 2010, the Group exchanged certain of its Hong Kong listed equity investments at their market value on the transaction date of RMB 2,784 million for additional 423 million shares of Sino-Ocean. As a result of this acquisition, the Group held 24.08% equity interest of Sino-ocean and recognized it as an associate. In 2010, the ESOP (Employee Stock Option Plan) of Sino-Ocean was partially exercised. As at December 31 2010, the Company's ownership in Sino-Ocean was diluted to 24.07%.

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****8 FINANCIAL ASSETS****8.1 Held-to-maturity securities**

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Debt securities		
Government bonds	105,006	103,980
Government agency bonds	90,230	84,619
Corporate bonds	3,138	3,139
Subordinated bonds/debts	47,853	43,361
<b>Total</b>	<b>246,227</b>	<b>235,099</b>
Debt securities		
Listed in mainland, PRC	15,785	17,872
Unlisted	230,442	217,227
<b>Total</b>	<b>246,227</b>	<b>235,099</b>

The estimated fair value of listed held-to-maturity securities was RMB 16,250 million as at 31 December 2010 (31 December 2009: RMB 18,683 million).

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

<b>Debt securities - Contractual maturity schedule</b>	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Maturing		
Within one year	18,891	5,937
After one year but within five years	25,696	34,903
After five years but within ten years	47,897	43,792
After ten years	153,743	150,467
<b>Total</b>	<b>246,227</b>	<b>235,099</b>

**8.2 Loans**



	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Policy loans	23,977	13,831
Other loans	12,566	9,250
<b>Total</b>	<b>36,543</b>	<b>23,081</b>

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Maturing		
Within one year	23,977	13,831
After one year but within five years	1,770	
After five years but within ten years	10,796	1,200
After ten years		8,050
<b>Total</b>	<b>36,543</b>	<b>23,081</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 FINANCIAL ASSETS (continued)****8.3 Term deposits**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
Maturing		
Within one year	19,268	84,393
After one year but within five years	340,917	196,090
After five years but within ten years	81,400	64,500
<b>Total</b>	<b>441,585</b>	<b>344,983</b>

**8.4 Statutory deposits-restricted**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
Contractual maturity schedule		
Within one year	400	100
After one year but within five years	5,753	6,053
<b>Total</b>	<b>6,153</b>	<b>6,153</b>

Insurance companies in China are required to deposit an amount equal to 20% of their registered capital with banks designated by CIRC. These funds may not be used for any purpose, other than to pay off debts during a liquidation proceeding.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 FINANCIAL ASSETS (continued)****8.5 Available-for-sale securities**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
<b>Debt securities</b>		
Government bonds	57,871	51,996
Government agency bonds	145,538	165,231
Corporate bonds	125,423	102,553
Subordinated bonds/debts	25,620	21,045
<b>Subtotal</b>	<b>354,452</b>	<b>340,825</b>
<b>Equity securities</b>		
Funds	95,754	75,798
Common stocks	97,915	100,876
<b>Subtotal</b>	<b>193,669</b>	<b>176,674</b>
<b>Total</b>	<b>548,121</b>	<b>517,499</b>
<b>Debt securities</b>		
Listed in mainland, PRC	29,618	28,086
Listed in Hong Kong, PRC	13	
Unlisted	324,821	312,739
<b>Subtotal</b>	<b>354,452</b>	<b>340,825</b>
<b>Equity securities</b>		
Listed in mainland, PRC	104,100	97,803
Listed in Hong Kong, PRC	5,845	13,570
Unlisted	83,724	65,301
<b>Subtotal</b>	<b>193,669</b>	<b>176,674</b>

**Total**

**548,121**

**517,499**

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

F-52

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 FINANCIAL ASSETS (continued)****8.5 Available-for-sale securities(continued)**

<b>Group debt securities</b>	<b>As at 31 December</b>	<b>As at 31 December</b>
<b>- contractual maturity schedule</b>	<b>2010</b>	<b>2009</b>
	<b>RMB million</b>	<b>RMB million</b>
Maturing		
Within one year	3,804	2,912
After one year but within five years	40,401	45,607
After five years but within ten years	129,977	123,719
After ten years	180,270	168,587
<b>Total</b>	<b>354,452</b>	<b>340,825</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 FINANCIAL ASSETS (continued)****8.6 Securities at fair value through income**

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Debt securities		
Government bonds	883	2,438
Government agency bonds	1,915	3,549
Corporate bonds	4,715	404
<b>Subtotal</b>	<b>7,513</b>	<b>6,391</b>
Equity securities		
Funds	575	569
Common stocks	1,665	2,162
Warrants	9	11
<b>Subtotal</b>	<b>2,249</b>	<b>2,742</b>
<b>Total</b>	<b>9,762</b>	<b>9,133</b>
<b>Debt securities</b>		
Listed in mainland, PRC	3,497	672
Unlisted	4,016	5,719
<b>Subtotal</b>	<b>7,513</b>	<b>6,391</b>
<b>Equity securities</b>		
Listed in mainland, PRC	1,697	2,201
Unlisted	552	541
<b>Subtotal</b>	<b>2,249</b>	<b>2,742</b>
<b>Total</b>	<b>9,762</b>	<b>9,133</b>

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

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**8 FINANCIAL ASSETS (continued)****8.7 Accrued investment income**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
Bank deposits	9,537	5,987
Debt securities	8,363	8,030
Others	293	191
<b>Total</b>	<b>18,193</b>	<b>14,208</b>
Current	18,193	14,208
Non-current		
<b>Total</b>	<b>18,193</b>	<b>14,208</b>



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**9 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The table below presents the carrying value and estimated fair value of major financial assets and liabilities:

	Carrying value		Estimated fair value	
	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million
Held-to-maturity securities	246,227	235,099	244,304	235,668
Loans	36,543	23,081	36,543	23,081
Term deposits (excluding structured deposits)	441,585	344,710	441,585	344,710
Structured deposits		273		272
Statutory deposits-restricted	6,153	6,153	6,153	6,153
Available-for-sale securities	548,121	517,499	548,121	517,499
Securities at fair value through income	9,762	9,133	9,762	9,133
Cash and cash equivalents	47,854	36,197	47,854	36,197
Investment contracts (ii)	(70,171)	(67,326)	(69,432)	(66,184)
Securities sold under agreements to repurchase	(23,065)	(33,553)	(23,065)	(33,553)

(i) The estimates and judgments to determine the fair value of financial assets are described in Note 3.2.

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

**10 PREMIUMS RECEIVABLE**

The aging of premiums receivable is within 12 months.

**11 REINSURANCE ASSETS**

	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million
Long-term insurance contracts ceded (Note 13)	719	701
Due from reinsurance companies	22	17
Ceded unearned premiums (Note 13)	57	83
Claims recoverable from reinsurers (Note 13)	32	31
<b>Total</b>	<b>830</b>	<b>832</b>
Current	111	131
Non-current	719	701

**Total**

**830**

**832**

F-56

---

Table of Contents

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**12 OTHER ASSETS**

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Land use rights	3,609	3,279
Due from CLIC (Note 29(f))	598	646
Advances	219	302
Others	3,773	2,090
<b>Total</b>	<b>8,199</b>	<b>6,317</b>
Current	4,573	2,471
Non-current	3,626	3,846
<b>Total</b>	<b>8,199</b>	<b>6,317</b>

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****13 INSURANCE CONTRACTS****(a) Process used to decide on assumptions**

(i) For the insurance contracts of which future returns are affected by the investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on reserve computation. In developing discount rate assumptions, the Group considers investment experience, current investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as the company's investment strategy. The assumed discount rate with risk margin for the past two year are as follows:

	Discount rate assumptions
As at 31 December 2010	4.58%~5.00%
As at 31 December 2009	4.40%~5.00%

For the insurance contracts of which the future returns are not affected by the investment yields of the corresponding investment portfolios, the Group use discount rate assumption to assess the time value impacts based on the yield curve of reserve computation benchmark for insurance contracts, published on China Bond website, with consideration includes the liquidity spreads, taxation impacts and other relevant factors. The assumed discount rate with risk margin for the past two years are as follows:

	Discount rate assumptions
As at 31 December 2010	2.61%~5.66%
As at 31 December 2009	2.69%~5.32%

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

(ii) The mortality and morbidity assumptions are based on the Group's historical mortality and morbidity experience. The assumed mortality rates and morbidity rates are varying by age of the insured and contract type.

The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's 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, continuing advancements in medical care and social conditions could result in improvements in longevity that exceed those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity 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 secular trends.

Risk margin is considered in the Group's mortality and morbidity assumptions.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**13 INSURANCE CONTRACTS (continued)****(a) Process used to decide on assumptions (continued)**

(iii) Expense assumptions are based on expected unit costs with the consideration of risk margin. Such assumptions are affected by actual experience and a number of other factors including inflation and market competition based on information obtained at the end of each reporting period. Components of expense assumptions include cost per policy and percentage of premium as follows:

	Individual Life		Group Life	
	RMB Per Policy	% of Premium	RMB Per Policy	% of Premium
As at 31 December 2010	30.4~44.6	0.90%~1.00%	13.1	0.86%
As at 31 December 2009	26.3~38.5	1.05%~1.17%	11.3	1.01%

(iv) The lapse rates and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition, which brings uncertainty to these assumptions. The lapse rates and other assumptions are determined with reference to past experience where creditable, current conditions, future expectations and other information obtained at the end of each reporting period.

The Group adopted consistent process used to decide on assumptions for the insurance contracts disclosed in this note. On each reporting date, the Company reviews the assumptions for reasonable estimates of liability and risk margins, with consideration of all available information, and taking into account the Company's historical experience and expectation of future events.

**(b) Net liabilities of insurance contracts**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
<b>Gross</b>		
Long-term insurance contracts	1,008,896	809,223
Short term insurance contracts		
- claims and claim adjustment expenses	3,304	2,944
- unearned premiums	5,935	5,997
<b>Total, gross</b>	<b>1,018,135</b>	<b>818,164</b>
<b>Recoverable from reinsurers</b>		
Long-term insurance contracts (Note 11)	(719)	(701)
Short-term insurance contracts		
- claims and claim adjustment expenses (Note 11)	(32)	(31)
- unearned premiums (Note 11)	(57)	(83)
<b>Total, ceded</b>	<b>(808)</b>	<b>(815)</b>

<b>Net</b>		
Long-term insurance contracts	1,008,177	808,522
Short-term insurance contracts		
- claims and claim adjustment expenses	3,272	2,913
- unearned premiums	5,878	5,914
<b>Total, net</b>	<b>1,017,327</b>	<b>817,349</b>

F-59

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**13 INSURANCE CONTRACTS (continued)****(c) Movements in liabilities of short-term insurance contracts**

The table below presents movements in claims and claim adjustment expenses reserve:

	<b>2010</b>	2009
	<b>RMB million</b>	RMB million
- Notified claims	228	352
- Incurred but not reported	2,716	2,428
<b>Total as at 1 January Gross</b>	<b>2,944</b>	<b>2,780</b>
Cash paid for claims settled in year		
- Cash paid for current year claims	(5,959)	(5,478)
- Cash paid for prior year claims	(2,516)	(2,274)
Claims incurred in year		
- Claims arising in current year	8,826	7,951
- Claims arising in prior year	9	(35)
<b>Total as at 31 December Gross</b>	<b>3,304</b>	<b>2,944</b>
- Notified claims	326	228
- Incurred but not reported	2,978	2,716
<b>Total as at 31 December Gross</b>	<b>3,304</b>	<b>2,944</b>

The table below presents movements in unearned premium reserves:

	<b>2010</b>			2009		
	<b>Gross</b>	<b>RMB million</b> <b>Ceded</b>	<b>Net</b>	<b>Gross</b>	<b>RMB million</b> <b>Ceded</b>	<b>Net</b>
<b>As at 1 January</b>	5,997	(83)	5,914	5,237	(58)	5,179
Increase	5,935	(57)	5,878	5,997	(83)	5,914
Release	(5,997)	83	(5,914)	(5,237)	58	(5,179)
<b>As at 31 December</b>	<b>5,935</b>	<b>(57)</b>	<b>5,878</b>	<b>5,997</b>	<b>(83)</b>	<b>5,914</b>

**(d) Movements in liabilities of long-term insurance contracts**

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

	<b>2010</b> <b>RMB million</b>	2009 RMB million
As at 1 January	809,223	654,848
Premiums	303,254	261,905
Release of liabilities (i)	(138,159)	(127,472)
Accretion of interest	38,298	26,834
Change in assumptions	(6,382)	(8,085)
Other movements	2,662	1,193
<b>As at 31 December</b>	<b>1,008,896</b>	<b>809,223</b>

- (i) The release of liabilities mainly consists of payments for death or other termination and related expenses, release of residual margin and change of reserves for claims and claim adjustment expenses.



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**14 INVESTMENT CONTRACTS**

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Investment contracts with DPF	50,839	50,219
Investment contracts without DPF		
- At amortised cost	19,248	17,055
- Designated as at fair value through income	84	52
<b>Total</b>	<b>70,171</b>	<b>67,326</b>

The table below presents movements of investment contracts with DPF

	<b>2010 RMB million</b>	2009 RMB million
<b>As at 1 January</b>	50,219	51,676
Deposits received	9,459	10,061
Deposits withdrawn and paid on death and other benefits	(9,990)	(12,488)
Policy fees deducted from account balances	(95)	(221)
Interest credited	1,246	1,191
<b>As at 31 December</b>	<b>50,839</b>	<b>50,219</b>

**15 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Maturing:		
Within thirty days	23,065	25,326
After thirty but within ninety days		8,227
<b>Total</b>	<b>23,065</b>	<b>33,553</b>

Carrying values of debt securities pledged as collateral representing available-for-sale investments are as follows

As at 31	As at 31
----------	----------

	<b>December 2010 RMB million</b>	December 2009 RMB million
Debt securities pledged	24,377	34,306
<b>Total</b>	<b>24,377</b>	<b>34,306</b>

F-61

---

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**16 OTHER LIABILITIES**

	<b>As at 31 December 2010 RMB million</b>	<b>As at 31 December 2009 RMB million</b>
Salary and staff welfare payable	3,780	2,892
Commission and brokerage payable	1,944	1,320
Agent deposits	656	659
Tax payable	378	356
Payable to constructors	372	317
Stock appreciation rights (Note 27)	1,192	1,555
Others	5,424	4,879
<b>Total</b>	<b>13,746</b>	<b>11,978</b>
Current	13,746	11,978
Non-current		
<b>Total</b>	<b>13,746</b>	<b>11,978</b>

**17 STATUTORY INSURANCE FUND**

As required by CIRC Order [2008] No. 2, all insurance companies have to pay statutory insurance fund contribution to the CIRC from 1 January 2009. The Group is subject to statutory insurance fund contribution, (i) at 0.15% and 0.05% of premiums and accumulated policyholder deposits from life policies with guaranteed benefits and life policies without guaranteed benefits, respectively. (ii) at 0.8% and 0.15% of premiums from short-term health policies and long-term health policies, respectively. (iii) at 0.8% of premiums from accident insurance contracts, at 0.08% and 0.05% of accumulated policyholder deposits from accident investment contracts with guaranteed benefits and without guaranteed benefits, respectively. When the accumulated statutory insurance fund contributions reach 1% of the Group's total assets, no additional contribution to the statutory insurance fund is required.

**18 INVESTMENT INCOME**

	<b>For the year ended 31 December</b>		
	<b>2010</b>	2009	2008
	<b>RMB</b>		
	<b>million</b>	RMB million	RMB million
Debt securities			
held-to-maturity securities	10,538	9,882	9,245
available-for-sale securities	14,962	13,580	13,074
at fair value through income	86	297	371
Equity securities			

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

available-for-sale securities	5,211	3,108	9,563
at fair value through income	40	38	530
Bank deposits	16,363	10,805	11,378
Loans	1,583	1,172	696
Securities purchased under agreements to resell	89	8	89
<b>Total</b>	<b>48,872</b>	<b>38,890</b>	<b>44,946</b>

Included in investment income is interest income of RMB 43,621 million (2009: RMB 35,744 million, 2008: RMB 34,853 million) using the effective interest method.

The investment income from listed and unlisted debt and equity securities for the year ended 31 December 2010 are RMB 4,797 million and RMB 26,038 million respectively (2009: RMB 3,422 million and RMB 23,483 million, 2008: RMB 10,103 million and RMB 23,483 million).

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**19 NET REALISED GAINS ON FINANCIAL ASSETS**

	<b>For the year ended 31 December</b>		
	<b>2010</b>	2009	2008
	<b>RMB</b>	RMB million	RMB million
	<b>million</b>		
Debt securities			
Net realised gains	508	3,146	422
Reversal of impairment	76	200	2,023
<b>Subtotal</b>	<b>584</b>	<b>3,346</b>	<b>2,445</b>
Equity securities			
Net realised gains	17,028	20,248	7,335
Impairment	(1,771)	(2,350)	(15,744)
<b>Subtotal</b>	<b>15,257</b>	<b>17,898</b>	<b>(8,409)</b>
<b>Total</b>	<b>15,841</b>	<b>21,244</b>	<b>(5,964)</b>

Net realised gains on financial assets are from available-for-sale securities.

During the year ended 31 December 2010, the Group recognized impairment expense of RMB 1,771 million (2009: RMB 2,350 million, 2008: RMB 15,744 million) of available-for-sale securities for which the Group determined that objective evidence of impairment existed.

**20 NET FAIR VALUE GAINS THROUGH INCOME**

	<b>For the year ended 31 December</b>		
	<b>2010</b>	2009	2008
	<b>RMB</b>	RMB million	RMB million
	<b>million</b>		
Debt securities	403	(250)	300
Equity securities	(486)	1,726	(7,494)
Stock appreciation rights	363	(27)	
<b>Total</b>	<b>280</b>	<b>1,449</b>	<b>(7,194)</b>



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**21 INSURANCE BENEFITS AND CLAIMS EXPENSES**

	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
	RMB million	RMB million	RMB million
<b>For the year ended 31 December 2010</b>			
Life insurance death and other benefits	71,255	(18)	71,237
Accident and health claims and claim adjustment expenses	8,835	(95)	8,740
Increase in insurance contracts liabilities	199,673	(18)	199,655
<b>Total insurance benefits and claims expenses</b>	<b>279,763</b>	<b>(131)</b>	<b>279,632</b>
<b>For the year ended 31 December 2009</b>			
Life insurance death and other benefits	74,876	(18)	74,858
Accident and health claims and claim adjustment expenses	7,909	(101)	7,808
Increase in insurance contracts liabilities	154,374	(2)	154,372
<b>Total insurance benefits and claims expenses</b>	<b>237,159</b>	<b>(121)</b>	<b>237,038</b>
<b>For the year ended 31 December 2008</b>			
Life insurance death and other benefits	89,677	(18)	89,659
Accident and health claims and claim adjustment expenses	7,703	(62)	7,641
Increase in insurance contracts liabilities	134,690	(41)	134,649
<b>Total insurance benefits and claims expenses</b>	<b>232,070</b>	<b>(121)</b>	<b>231,949</b>

**22 INVESTMENT CONTRACT BENEFITS**

Benefits of investment contract are mainly the interest credited to investment contracts and universal life contracts.

**23 PROFIT BEFORE INCOME TAX**

Profit before income tax is stated after charging the following:

	<b>For the year ended 31 December</b>		
	<b>2010</b>	2009	2008
	<b>RMB</b>		
	<b>million</b>	RMB million	RMB million
Employee salary and welfare cost	8,240	7,773	5,089
Housing benefits	507	472	336
Contribution to the defined contribution pension plan	1,344	1,182	873

Edgar Filing: CHINA LIFE INSURANCE CO LTD - Form 20-F

Depreciation and amortisation	1,802	1,560	1,358
Interest expenses on securities sold under the agreements to repurchase	304	111	438
Exchange loss	392	28	907
Auditor's remuneration	65	71	64

F-64

---



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**24 TAXATION**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority.

(a) The amount of taxation charged to the net profit represents

	<b>2010</b> <b>RMB</b> <b>million</b>	2009 RMB million	2008 RMB million
Current taxation Enterprise income tax	6,420	6,299	2,078
Deferred taxation	777	2,410	(1,393)
Taxation charges	7,197	8,709	685

(b) The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC (for the year ended 31 December 2009: 25%) is as follows:

	<b>2010</b> <b>RMB</b> <b>million</b>	2009 RMB million	2008 RMB million
Profit before income tax	41,008	41,745	19,959
Tax computed at the statutory tax rate	10,252	10,436	4,990
Non-taxable income (i)	(3,413)	(2,627)	(4,524)
Additional tax liability from expenses not deductible for tax purposes (i)	317	520	196
Unused tax losses	41	25	23
Other		355	
Income taxes at effective tax rate	7,197	8,709	685

(i) Non-taxable income mainly includes interest income from government bonds and fund. Expenses not deductible for tax purposes mainly include commission, brokerage and donation expenses that do not meet the criteria for deduction set by relevant tax regulations.

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****24 TAXATION (continued)**

(c) As at 31 December 2010, deferred income taxation was calculated in full on temporary differences under the liability method using a principal taxation rate of 25%. The movements in deferred tax assets and liabilities during the year are as follows:

**Deferred tax**

	Insurance RMB million (i)	Investment RMB million (ii)	Others RMB million (iii)	Total RMB million
As at 1 January 2009	(9,452)	(1,473)	581	(10,344)
(Charged) / credited to net profit	(79)	(2,404)	73	(2,410)
(Charged) / credited to other comprehensive income				
- Available-for-sale securities		(4,607)		(4,607)
- Portion of fair value gains on available-for-sale securities allocated to participating policyholders	1,000			1,000
Subtotal	1,000	(4,607)		(3,607)
<b>As at 31 December 2009</b>	<b>(8,531)</b>	<b>(8,484)</b>	<b>654</b>	<b>(16,361)</b>
As at 1 January 2010	(8,531)	(8,484)	654	(16,361)
(Charged) / credited to net profit	(604)	(376)	203	(777)
(Charged) / credited to other comprehensive income				
- Available-for-sale securities		7,358		7,358
- Portion of fair value losses on available-for-sale securities allocated to participating policyholders	(1,996)			(1,996)
Subtotal	(1,996)	7,358		5,362
<b>As at 31 December 2010</b>	<b>(11,131)</b>	<b>(1,502)</b>	<b>857</b>	<b>(11,776)</b>

- (i) The deferred tax arising from the insurance category is mainly related to the temporary difference of short duration insurance contracts liabilities and policyholder dividend payables;
- (ii) The deferred tax arising from the investment category is mainly related to the temporary difference of unrealised gains/(losses) of available-for-sale securities and securities at fair value through income;
- (iii) The deferred tax arising from the other category is mainly related to the temporary difference of employee salary and welfare cost payables.



**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**24 TAXATION (continued)**

(d) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Deferred tax assets:		
- deferred tax assets to be recovered after more than 12 months	3,217	6,063
- deferred tax assets to be recovered within 12 months	617	592
<b>Subtotal</b>	<b>3,834</b>	<b>6,655</b>
Deferred tax liabilities:		
- deferred tax liabilities to be settled after more than 12 months	(15,262)	(22,668)
- deferred tax liabilities to be settled within 12 months	(348)	(348)
<b>Subtotal</b>	<b>(15,610)</b>	<b>(23,016)</b>
<b>Total net deferred income tax liabilities</b>	<b>(11,776)</b>	<b>(16,361)</b>

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**25 EARNINGS PER SHARE**

There is no difference between basic and diluted earnings per share. The basic and diluted earnings per share for the year ended 31 December 2010 are based on the weighted average number of 28,264,705,000 ordinary shares (for the year ended 31 December 2009: 28,264,705,000).

**26 STOCK APPRECIATION RIGHTS**

The Board of Directors of the Company approved, on 5 January 2006, an award of stock appreciation rights of 4.05 million units and on 21 August 2006, another award of stock appreciation rights of 53.22 million units to eligible employees. The exercise prices of the two awards were HK\$5.33 and HK\$6.83, respectively, the average closing price of shares in the five trading days prior to 1 July 2005 and 1 January 2006, the dates for vesting and exercise price setting purposes of this award. The exercise price of stock appreciation rights was the average closing price of the shares in the five trading days prior to the date of the award. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the exercise price and market price of the H shares at the time of exercise.

Stock appreciation rights have been awarded in units, with each unit representing the value of one H share. No shares of common stock will be issued under the stock appreciation rights plan. According to the Company's plan, all stock appreciation rights will have an exercise period of five years from date of award and will not be exercisable before the fourth anniversary of the date of award unless specified market or other conditions have been met. On 26th February 2010, the Board of Directors of the Company extended the exercise period of all stock appreciation rights and the exercise period will depend on the government policy.

No stock appreciation right was exercised, forfeited or expired in 2010. As at 31 December 2010, there are 55.71 million units outstanding (as at 31 December 2009: 55.71 million) and 55.71 million units exercisable (as at 31 December 2009: 55.71 million). As at 31 December 2010, the amount of intrinsic value for the vested stock appreciation rights is RMB 1,185 million (as at 31 December 2009: RMB 1,551 million).

The fair value of the stock appreciation rights is estimated on the date of valuation using lattice-based option valuation models based on expected volatility from 60% to 70%, an expected dividend yield of no higher than 0.5% and risk-free interest rate from 0.2% to 0.3%.

All the stock appreciation rights awarded were fully vested as at 31 December 2010. The Company recognized a gain of RMB 363 million in the fair value gain in the consolidated comprehensive income representing the fair value change of the rights for the year ended 31 December 2010. For the year ended 31 December 2009, the Company charged compensation cost of RMB 839 million representing the fair value change of the rights before they are fully vested. RMB 1,179 million and RMB 13 million were included in salary and staff welfare payable included under Other Liabilities for the units not exercised and exercised but not paid as at 31 December 2010 (as at 31 December 2009, RMB 1,542 million and RMB 13 million respectively). No unrecognized compensation cost due to the stock appreciation rights as at 31 December 2010.

**27 DIVIDENDS**

Pursuant to the equity holders' approval at the Annual General Meeting in April 2010, a final dividend of RMB 0.70 per ordinary share totalling RMB 19,785 million in respect of the year ended 31 December 2009 was declared and was paid in 2010. These dividends have been recorded in the consolidated financial statements for the year ended 31 December 2010.

Pursuant to a resolution passed at the meeting of the Board of Directors on 22 March 2011, a final dividend of RMB 0.40 per ordinary share totalling approximately RMB 11,306 million for the year ended 31 December 2010 was proposed for equity holders approval at the Annual General Meeting. The dividend has not been provided in the consolidated financial statements for the year ended 31 December 2010.

**Table of Contents****CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010****28 SIGNIFICANT RELATED PARTY TRANSACTIONS****(a) Related parties**

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of significant related parties and nature of relationship with the Company as at 31 December 2010:

<b>Significant related party</b>	<b>Relationship with the Company</b>
CLIC	The ultimate holding company
China Life Asset Management Company Limited ( AMC )	A subsidiary of the Company
China Life Pension Company Limited ( Pension Company )	A subsidiary of the Company
Sino-Ocean	An associate of the Company
GDB	An associate of the Company
CLP&C	An associate of the Company and under common control of the ultimate holding company
China Life Real Estate Co., Limited ( CLRE )	A subsidiary of a subsidiary of the ultimate holding company
China Life Insurance (Overseas) Co., Limited ( China Life Overseas )	Under common control of the ultimate holding company
China Life Franklin Asset Management Co, Limited ( AMC HK )	A subsidiary of a subsidiary of the Company
China Life Investment Holding Company Limited ( IHC )	Under common control of the ultimate holding company
China Life Enterprise Annuity Fund ( EAP )	A pension fund operated for the benefit of employees in the Company and AMC

**(b) Information of the parent company is as follows:**

Name	Location of registration	Principal business	Relationship with the company	Nature of economic	Legal Representative
CLIC	Beijing, China	Life, health and accident insurance and other types of personal insurance and reinsurance. Funds management business permitted by national laws and regulations or by State Council of the People's Republic of China. Provision of various types of personal insurance services, consulting and agency services. Other business approved by CIRC and other regulatory department	Immediate and ultimate holding company	State owned	Chao Yang

Refer to Note 34 for basic and related information of subsidiaries.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)****(c) Registered capital of related parties with control relationship and changes during the year**

Name of related party	As at 31 December 2009	Increase RMB million	Decrease RMB million	As at 31 December 2010
	RMB million			RMB million
CLIC	4,600			4,600
AMC	3,000			3,000
Pension Company	2,500			2,500
HK AMC	HK dollar 60 million			HK dollar 60 million

**(d) Percentage of holding and changes during the year**

Equity holder	As at 31 December 2009		Increase RMB million	Decrease RMB million	As at 31 December 2010	
	Amount RMB million	Percentage of holding			Amount RMB million	Percentage of holding
CLIC (i)	19,324	68.40%			19,324	68.40%

  

Subsidiaries	As at 31 December 2009		Increase RMB million	Decrease RMB million	As at 31 December 2010	
	Amount RMB million	Percentage of holding			Amount RMB million	Percentage of holding
AMC (ii)	1,680	60.00% directly			1,680	60.00% directly
Pension Company(ii)	2,305	92.20% directly and indirectly			2,305	92.20% directly and indirectly
AMC HK (ii)	HK dollar 30 million	50.00% indirectly			HK dollar 30 million	50.00% indirectly

(i) CLIC holds 68.40% of the Company's registered capital and has the power to control the Company.

(ii) They are subsidiaries and have been controlled by the Company.





**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)****(e) Transactions with significant related parties**

The following table summarises significant transactions carried out by the Group with its significant related parties for the year ended 31 December 2010.

	Note	For the year ended 31 December		
		2010 RMB million	2009 RMB million	2008 RMB million
<b>Transactions with CLIC and its subsidiaries</b>				
Policy management fee income earned from CLIC	(i)	1,154	1,193	1,298
Asset management fee earned from CLIC	(ii)	123	112	243
Additional capital contribution to AMC from CLIC			720	
Dividends to CLIC		13,526	4,444	8,116
Dividends to CLIC from AMC		111	104	93
Asset management fee earned from China Life Overseas	(ii)	27	15	15
Asset management fee earned from CLP&C	(ii)	5	3	2
Property insurance payments to CLP&C		44	37	29
Claim payment and others to the Company from CLP&C		38	41	46
Brokerage fee from CLP&C	(iii)	216	129	79
Rentals and policy management fee income earned from CLP&C		23	36	
Rentals, project payments and others to CLRE	(iv)	14	8	18
Property leasing expense charged by IHC	(v)	67	64	33
Asset management fee earned from IHC		6	7	21
Services fee and other income earned from IHC		14	30	
Asset purchase payments to Chengdu Insurance Institution			19	
<b>Transaction with GDB</b>				
Additional capital contribution to GDB		2,999		
Interest income earned from GDB		376	309	361
Brokerage fee charged by GDB	(vi)	16	20	25
Interest income earned from GDB of additional capital contribution		13		
Dividends from GDB			55	
<b>Transaction with Sino-Ocean</b>				
Dividends from Sino-Ocean		118		
<b>Transaction with EAP</b>				
Payment to EAP		210	298	

**Transaction with AMC**

Asset management fee expense charged to the Company by AMC	(ii)	659	540	362
Dividends to the Company		167	156	140
Payments of insurance policies by AMC to the Company		1	1	1
Brokerage fee to the Company			5	1
Additional capital contribution to AMC			1,080	
<b>Transaction with Pension Company</b>				
Expenses paid on behalf of Pension Company		134	86	79
Promote fee of Annuity to the Company		8		
Brokerage fee to the Company	(vii)	7	3	1
Investment brokerage fee charged by the Company		5	2	
IT services fee income earned from Pension Company		2	2	
Surcharge on building sold to Pension Company			244	
<b>Transaction with AMC HK</b>				
Investment management fee expense charged to the Company by AMC HK	(ii)	8	8	7

F-71

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**

**(e) Transactions with significant related parties (continued)**

*Note:*

- (i) As part of the restructuring, CLIC transferred its entire branch services network to the Company. CLIC and the Company entered into an agreement on 24 December 2005 to engage the Company to provide policy administration services to CLIC relating to the non-transferred policies. The Company, as a service provider, does not acquire any rights or assume any obligations as an insurer under the non-transferred policies. In consideration of the services provided under the agreement, CLIC will pay the Company a policy management fee based on the estimated cost of providing the services, to which a profit margin is added. The policy management fee is equal to, for each semi-annual payment period, the sum of (1) the number of non-transferred policies in force that were within their policy term as at the last day of the period, multiplied by RMB8.00 per policy and (2) 2.50% of the actual premiums and deposits in respect of such policies collected during the period. The agreement would be automatically renewed for a three year term subject to compliance with the Stock Exchange regulations unless a written notice of non renewal is issued by the Company or the Group 180 days prior to the expiration of the contract or the renewed term. The Company and the Group could modify term of policy management fee based on the current market terms when renewing the contract. Otherwise, the original fee term would apply. On 30 December 2008, the Company and CLIC signed a renewal agreement to extend the contract signed on 24 December 2005 to 31 December 2011, with all the terms unchanged. The policy management fee income is included in other income in consolidated statement of comprehensive income.
- (ii) In December 2005, CLIC and AMC entered into an agreement, whereby CLIC agreed to pay the AMC a service fee at the rate of 0.05% per annum. The service fee was calculated and payable on a monthly basis, by multiplying the average of book value of the assets under management (after deducting the funds obtained and interests accrued from repurchase transactions) at the beginning and at the end of any given month by the rate of 0.05%, divided by 12. Such rate was determined with reference to the applicable management fee rate pre-determined for each specified category of assets managed by the AMC to arrive at a comprehensive service fee rate. On 30 December 2008, CLIC and AMC signed a renewal agreement, which extended the expiry date of the original agreement to 31 December 2011. The service fee is calculated in the same way of original agreement and could be adjusted according to the performance.
- In December 2005, the Company and the AMC have entered into a separate agreement, whereby the Company agreed to pay the AMC a fixed service fee and a variable service fee. The fixed service fee is payable monthly and is calculated with reference to the net asset value of the assets in each specified category managed by the AMC and the applicable management fee rates pre-determined by the parties on an arm's length basis. The variable service fee equals to 10% of the fixed service fee per annum payable annually. The service fees were determined by the Company and the AMC based on an analysis of the cost of service, market practice and the size and composition of the asset pool to be managed. On 30 December 2008, the Company and AMC signed a renewal agreement, which extended the expiry date of the original agreement to 31 December 2010. The variable service fee was changed to 20% of the fixed service fee per annum payable annually and could be adjusted according to the performance.

In March 2007, CLP&C and the AMC entered into an agreement, whereby CLP&C agreed to pay the AMC a fixed service fee and a variable service fee. The agreement expired in December 2008. In 2009, CLP&C and the AMC signed a new agreement, with effective period to 31 December 2010. The agreement is subject to an automatic renewal for one year if there was no objection by both parties upon expiring. According to the

agreement, the fixed service fee is calculated and payable on a monthly basis, by multiplying the average of book value of the assets under management at the beginning and at the end of any given month by the rate of 0.05%, divided by 12. The variable service fee is calculated based on investment performance.

In September 2007, China Life Overseas and the AMC HK entered into an agreement, whereby China Life Overseas agreed to pay AMC HK a management service fee at a rate calculated based on actual net investment return yield. In December 2009, China Life Overseas and the AMC HK signed a renewal agreement, which extended the expiry date of the original agreement to 31 December 2010.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY  
TRANSACTIONS (continued)**

**(e) Transactions with significant related parties  
(continued)**

*Note: (continued)*

In 2009, Pension Company and AMC signed an agreement with effective period to 31 December 2009. The agreement was subject to an automatic renewal for one year if there was no objection by both parties upon expiring. According to the agreement, the fixed service fee is calculated and payable on a monthly basis, by multiplying the average of book value of the assets under management at the beginning and at the end of any given month by the rate of 0.05%, divided by 12. There is a performance portion based on 10% of the excess return which is payable annually.

In September 2009, the Company and AMC HK renewed the agreement of Offshore Investment Management Service Agreement. In accordance with the agreement, the Company agreed to pay AMC HK asset management fee calculated and collected based the annual investment instruction and related terms and conditions. In accordance with the 2009 annual instruction and related terms and conditions, asset management fees were calculated at a fixed rate of 0.45% of portfolio asset value and a performance element of 2% of portfolio returns for assets managed on a discretionary basis, together with a fixed rate of 0.05% of portfolio asset value for assets managed on a non-discretionary basis. In accordance with the 2010 annual instruction and related terms and conditions, asset management fees were calculated at a fixed rate of 0.4% of portfolio asset value and a performance element capped at 0.15% of portfolio asset value for assets managed on a discretionary basis. Management fees on assets managed on a non-discretionary basis maintained unchanged at 0.05% of portfolio asset value for 2010. Management fees at fixed rates are calculated based on the portfolio asset value at the end of each month based on the monthly report

provided by AMC HK and payable quarterly. Performance elements are calculated and payable on an annual basis.

Asset management fees charged to the Company and Pension Company by AMC and AMC HK is eliminated in the Consolidated Statement of Comprehensive Income.

- (iii) In November 2008, the Company and CLP&C entered into an agreement, whereby CLP&C entrusted the Company to act as an agent to sell selected insurance products in jurisdiction. The service fee is determined according to cost (tax included) added marginal profit. The agreement term is two year, and the agreement was subject to an automatic renewal for one year if there was no objection by both parties upon expiring.
- (iv) The Group made certain project payments to third parties through CLRE and paid other miscellaneous expenditure mainly comprised rentals and deposits to CLRE.
- (v) On 22 February 2010, the Company entered into a property leasing agreement with IHC, pursuant to which IHC agreed to lease to the Company certain of its owned and leased buildings. Annual rental payable by the Company to IHC in relation to the IHC owned properties is determined by reference to market rent or, the costs incurred by IHC in holding and maintaining the properties, plus a margin of approximately 5%. The rental was paid on a semi annual basis. Rental of buildings subleased by IHC was paid directly by the Company to the owner. The agreement expires on 31 December 2012.

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY  
TRANSACTIONS (continued)**

**(e) Transactions with significant related parties  
(continued)**

*Note: (continued)*

(vi) On 29 April 2007, the Company and GDB entered into an individual bank insurance agency agreement. All insurance products suitable for distribution through bank network are included in the agreement. GDB will provide services, including selling of insurance products, receiving premiums and paying benefits. The Company has agreed to pay commission fees as follows: 1) A monthly service fee, calculated on a monthly basis, by multiplying total premium received at a fixed commission rate; or 2) A monthly commission fee, calculated on a monthly basis, by multiplying the number of policy being handled at fixed commission rate which is not more than RMB1 per policy, where GDB handles premiums receipts and benefits payments. The agreement has a term of five years.

(vii) In November 2007, the Company and Pension Company entered into an agreement, whereby Pension Company entrusted the Company to distribute enterprise annuity funds and provide customer service. The service fee is calculated at a rate of 80%. The agreement term was one year and subject to an automatic renewal for one year. On 30 December 2010, the Company and Pension Company signed a renewal agreement, The agreement term was one year, and the agreement was subject to an automatic renewal for one year if there was no objection by both parties upon expiring.

**(f) Amounts due from / to significant related parties**

The following table summarises the resulting balance due from and to significant related parties. The balance is non-interest bearing, unsecured and has no fixed repayment terms except for the deposits in GDB.

<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
-----------------------------------	-----------------------------------



	<b>RMB million</b>	RMB million
The Group		
Amount due from CLIC (Note 12)	598	646
Amount due to CLIC	(1)	
Amount due from China Life Overseas	22	15
Amount due from CLP&C	37	22
Amount due to CLP&C	(4)	(2)
Amount deposited with GDB	11,667	7,098
Amount due from IHC	17	34
Amount due to IHC	(33)	(64)
The Company		
Amount due from Pension Company	91	56
Amount due to Pension Company	(3)	
Amount due to AMC	(62)	(43)
Amount due to AMC HK	(2)	(1)

F-74

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**28 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)****(g) Key management compensation**

		<b>For the year ended 31 December</b>	
	<b>2010</b>	2009	2008
	<b>RMB</b>	RMB	RMB
	<b>million</b>	million	million
Salaries and other benefits	17	23	24

The total compensation package for the Company's key managements for the year ended 31 December 2010 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The final compensation will be disclosed in a separate announcement when determined. The compensation of 2009 has been approved by relevant authorities which includes delay in payment about RMB 4 million.

**(h) Transactions with state-owned enterprises**

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

As at 31 December 2010 and 2009, most of bank deposits were with state-owned banks; the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the year ended 31 December 2010, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of bank deposit interest income were from state-owned banks.

**29 SHARE CAPITAL**

	<b>As at 31 December 2010</b>		<b>As at 31 December 2009</b>	
	<b>No. of shares</b>	<b>RMB million</b>	<b>No. of shares</b>	<b>RMB million</b>
Registered, authorized, issued and fully paid Ordinary shares of RMB1 each	28,264,705,000	28,265	28,264,705,000	28,265

As at 31 December 2010, the Company's share capital was as follows:

	<b>As at 31 December 2010</b>	
	<b>No. of shares</b>	<b>RMB million</b>
Owned by CLIC (i)	19,323,530,000	19,324
Owned by other equity holders	8,941,175,000	8,941
Including: Domestic listed	1,500,000,000	1,500
Overseas listed	7,441,175,000	7,441
<b>Total</b>	<b>28,264,705,000</b>	<b>28,265</b>

Overseas listed shares are traded on the Stock Exchange of Hong Kong and the New York Stock Exchange.

(i) All shares owned by CLIC are A shares.

**Table of Contents**
**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**30 RESERVES**

	<b>Additional paid in capital RMB million</b>	<b>Unrealised gains/ (losses) from available- for-sale securities RMB million</b>	<b>Statutory reserve fund RMB million (a)</b>	<b>Discretionary reserve fund RMB million (b)</b>	<b>General reserve RMB million (c)</b>	<b>Exchange differences on translating foreign operations RMB million</b>	<b>Total RMB million</b>
<b>As at 1 January 2008</b>	53,860	43,509	7,639	1,841	4,427		111,276
Other comprehensive loss for the year		(33,452)				(1)	(33,453)
Appropriation to reserve			1,916	2,792	1,916		6,624
<b>As at 31 December 2008</b>	53,860	10,057	9,555	4,633	6,343	(1)	84,447
Other comprehensive income for the year		10,745					10,745
Appropriation to reserves			3,293	1,009	3,293		7,595
<b>As at 31 December 2009</b>	53,860	20,802	12,848	5,642	9,636	(1)	102,787
Other comprehensive loss for the year		(16,202)				(1)	(16,203)
Appropriation to reserves			3,368	7,192	3,368		13,928
<b>As at 31 December 2010</b>	53,860	4,600	16,216	12,834	13,004	(2)	100,512

(a)

Under the relevant PRC law, the Company is required to appropriate 10% of its net profit under CAS to statutory reserve fund. The Company appropriated 10% of net profit to the statutory reserve for the year ended 31 December 2010 and 2009 amounting to RMB 3,368 million and RMB 3,293 million respectively.

- (b) Approved by Annual General Meeting In June 2010, the Company appropriated RMB 3,293 million to discretionary reserve fund for the year ended 31 December 2009 based on the net profit under A share financial statement and RMB 3,899 million to discretionary reserve fund retrospectively reflected at 31 December 2008 due to change of accounting policy. (2009: RMB 1,009 million).
- (c) Pursuant to Financial Standards of Financial Enterprises Implementation Guide issued by Ministry of Finance of People's Republic of China on 30 March 2007, for the year ended 31 December 2010 and 2009, the Company appropriated 10% of net profit under CAS which is RMB 3,368 million and RMB 3,293 million respectively to general reserve for future uncertain disasters, which cannot be used for dividend distribution or share capital increment.

Under related PRC law, dividends may be paid only out of distributable profits. Distributable profits generally means the Company's after-tax profits as determined under accounting standards generally accepted in PRC or IFRS, whichever is lower, less any accumulated losses and allocations to statutory reserve that the Company is required to make, subject to further regulatory restrictions. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. The amount of distributable retained earnings based on the above was RMB 76,832 million as at 31 December 2010 (as at 31 December 2009: RMB 78,491 million).

**Table of Contents**

**CHINA LIFE INSURANCE COMPANY LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**31 PROVISIONS AND CONTINGENCIES**

The following is a summary of the significant contingent liabilities:

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Pending lawsuits	139	113

The Group has been involved in certain lawsuits arising from ordinary course of businesses. In order to accurately disclose the contingent liabilities for pending lawsuits, the Group analyzed all pending lawsuits at the end of each fiscal year. A provision will only be recognized if the management determines, based on third-party legal advice, that we have present obligations and the settlement of which is expected to result in an outflow of the Group's resources embodying economic benefits, and the amount of such obligations could be reasonably estimated. Otherwise, the Group will disclose the pending lawsuits as contingent liabilities if the amount of the obligation could be reliably estimated. As at December 31, 2010 and 2009, the Company had additional contingent liabilities the disclosure of which was not practicable, since the amount of the obligations could not be reliably estimated. As at 31 December 2010, the Group didn't recognize any provision for such certain lawsuits.

**32 COMMITMENTS****(a) Capital commitments**

i) Capital commitments for property, plant and equipment

	<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
Contracted but not provided for	5,082	488

ii) Capital commitments to acquire Bohai Venture Capital Fund

The Group committed to contribute RMB 500 million to Bohai Venture Capital Fund of which RMB 374 million had been paid at 31 December 2010. The remaining RMB 126 million will be paid when called.

iii) Capital commitments in relation to the China South to North Water Diversion Project

The Group committed to contribute RMB 380 million to the China South to North Water Diversion Project RMB 76 million of the amount had been paid at 31 December 2010 with the remaining RMB 304 million payable when called.

**(b) Operating lease commitments**

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

<b>As at 31 December 2010 RMB million</b>	As at 31 December 2009 RMB million
---	---

Land and buildings		
Not later than one year	338	297
Later than one year but not later than five years	453	478
Later than five years	42	49
<b>Total</b>	<b>833</b>	<b>824</b>

The operating lease payments charged to profit before income tax for the year ended 31 December 2010 was RMB 606 million (for the year ended 31 December 2009: RMB 593 million).

F-77