CHINA LIFE INSURANCE CO LTD
Form 20-F
April 25, 2018
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As filed with the Securities and Exchange Commission on April 25, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

OR

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 depositary shares	New York Stock Exchange
H shares, par value RMB 1.00 per share	New York Stock Exchange*

* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares, each representing 5 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, 2017, 7,441,175,000 H shares and 20,823,530,000 A shares, par value RMB 1.00 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, a non-accelerated filer, or an emerging growth company. See definition of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Accelerated filer Non-accelerated filer
Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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	Other

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

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CHINA LIFE INSURANCE COMPANY LIMITED

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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;
- changes in interest rates and other economic and business conditions 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 , potentia 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.

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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 company 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 company 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 2015, the China Insurance Yearbook 2016, the China Insurance Yearbook 2017 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 the CIRC mean the China Insurance Regulatory Commission, which was established in 1998 and merged with the China Banking Regulatory Commission in April 2018. References to the CBRC mean the China Banking Regulatory Commission, which was established in 2003 and merged with the CIRC in April 2018. References to CBIRC mean the China Banking and Insurance Regulatory Commission, which was established in April 2018 as a result of the merger of CIRC and CBRC. In this annual report, references to the CIRC mean the China s insurance regulator prior to April 2018 and references to the CBIRC mean the China s insurance regulator after April 2018, as the context may require.

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 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 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 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.

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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.

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 6.5063**,** 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 29, 2017. No representation is made that Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate on December 29, 2017 or at all. Translations of foreign currency amounts into RMB amounts for the purpose of preparing our audited consolidated financial statements included elsewhere in this annual report or our previous annual reports have been made at the exchange rates published by the PBOC.

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

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

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PART I

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

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

A. SELECTED FINANCIAL DATA

Selected Historical Consolidated Financial Data

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

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

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

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	For the year ended December 31,					
	2013	**2014**	**2015**	**2016**	**2017**	**2017**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**US$**
Consolidated Statement of Comprehensive Income	*(in millions except for per share data)*					
Revenues						
Gross written premiums	326,290	331,010	363,971	430,498	511,966	78,688
Less: premiums ceded to reinsurers	(556)	(515)	(978)	(1,758)	(3,661)	(563)
Net written premiums	325,734	330,495	362,993	428,740	508,305	78,125
Net change in unearned premium reserves	(921)	(390)	(692)	(2,510)	(1,395)	(214)
Net premiums earned	324,813	330,105	362,301	426,230	506,910	77,911
Investment income	82,816	93,548	97,582	109,147	122,727	18,863
Net realized gains on financial assets	5,793	7,120	32,297	6,038	42	6
Net fair value gains through profit or loss	137	5,808	10,209	(7,094)	6,183	950
Other income	4,324	4,185	5,060	6,460	7,493	1,152
Total revenues	**417,883**	**440,766**	**507,449**	**540,781**	**643,355**	**98,882**
Benefits, claims and expenses						
Insurance benefits and claims expenses						
Life insurance death and other benefits	(193,671)	(192,659)	(221,701)	(253,157)	(259,708)	(39,916)
Accident and health claims and claim adjustment expenses	(11,263)	(16,752)	(21,009)	(27,269)	(33,818)	(5,198)
Increase in insurance contract liabilities	(107,354)	(105,883)	(109,509)	(126,619)	(172,517)	(26,515)
Investment contract benefits	(1,818)	(1,958)	(2,264)	(5,316)	(8,076)	(1,241)
Policyholder dividends resulting from participation in profits	(18,423)	(24,866)	(33,491)	(15,883)	(21,871)	(3,362)
Underwriting and policy acquisition costs	(25,690)	(27,147)	(35,569)	(52,022)	(64,789)	(9,958)
Finance costs	(4,032)	(4,726)	(4,320)	(4,767)	(4,601)	(707)
Administrative expenses	(24,805)	(25,432)	(27,458)	(31,854)	(35,953)	(5,526)
Other expenses	(3,864)	(4,151)	(7,428)	(4,859)	(6,426)	(988)
Statutory insurance fund contribution	(637)	(701)	(743)	(1,048)	(1,068)	(164)
Total benefits, claims and expenses	**(391,557)**	**(404,275)**	**(463,492)**	**(522,794)**	**(608,827)**	**(93,575)**
Share of profit of associates and joint ventures, net	3,125	3,911	1,974	5,855	7,143	1,098
Profit before income tax	29,451	40,402	45,931	23,842	41,671	6,405
Income tax	(4,443)	(7,888)	(10,744)	(4,257)	(8,919)	(1,371)
Net profit	**25,008**	**32,514**	**35,187**	**19,585**	**32,752**	**5,034**
Attributable to:						

- Equity holders of the Company	24,765	32,211	34,699	19,127	32,253	4,957
- Non-controlling interests	243	303	488	458	499	77
Basic and diluted earnings per share[(1)]	0.88	1.14	1.22	0.66	1.13	0.17

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

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	For the year ended December 31,					
	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017 RMB	2017 US$
	(in millions except for per share data)					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Fair value gains/(losses) on available-for-sale securities	(25,135)	70,342	54,080	(44,509)	(15,003)	(2,306)
Amount transferred to net profit from other comprehensive income	(5,793)	(7,120)	(32,297)	(6,038)	(42)	(6)
Portion of fair value changes on available-for-sale securities attributable to participating policyholders	2,635	(11,035)	(12,767)	17,372	5,605	861
Share of other comprehensive income of associates and joint ventures under the equity method	(332)	120	353	(864)	20	3
Exchange differences on translating foreign operations			10	21	(865)	(133)
Income tax relating to components of other comprehensive income	7,050	(13,023)	(2,242)	8,242	2,359	363
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	(21,575)	39,284	7,137	(25,776)	(7,926)	(1,218)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods						
Other comprehensive income for the year, net of tax	(21,575)	39,284	7,137	(25,776)	(7,926)	(1,218)
Total comprehensive income for the year, net of tax	**3,433**	**71,798**	**42,324**	**(6,191)**	**24,826**	**3,816**
Attributable to:						
- Equity holders of the Company	3,203	71,443	41,775	(6,647)	24,341	3,741
- Non-controlling interests	230	355	549	456	485	75

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Consolidated Statement of Financial Position	2013 RMB	2014 RMB	2015 RMB	2016 RMB	2017 RMB	2017 US$
	As of December 31, (in millions)					
Assets						
Property, plant and equipment	23,393	25,348	26,974	30,389	42,707	6,564
Investment properties	1,329	1,283	1,237	1,191	3,064	471
Investments in associates and joint ventures	34,775	44,390	47,175	119,766	161,472	24,818
Held-to-maturity securities	503,075	517,283	504,075	594,730	717,037	110,207
Loans	118,626	166,453	207,267	226,573	383,504	58,943
Term deposits	664,174	690,156	562,622	538,325	449,400	69,072
Statutory deposits - restricted	6,153	6,153	6,333	6,333	6,333	973
Available-for-sale securities	491,527	607,531	770,516	766,423	810,734	124,608
Securities at fair value through profit or loss	34,172	53,052	137,990	209,124	136,809	21,027
Securities purchased under agreements to resell	8,295	11,925	21,503	43,538	36,185	5,562
Accrued investment income	34,717	44,350	49,552	55,945	50,641	7,783
Premiums receivable	9,876	11,166	11,913	13,421	14,121	2,170
Reinsurance assets	1,069	1,032	1,420	2,134	3,046	468
Other assets	20,430	19,411	23,642	22,013	33,952	5,218
Cash and cash equivalents	21,330	47,034	76,096	67,046	48,586	7,468
Total assets	**1,972,941**	**2,246,567**	**2,448,315**	**2,696,951**	**2,897,591**	**445,352**
Liabilities and equity						
Liabilities						
Insurance contracts	1,494,497	1,603,446	1,715,985	1,847,986	2,025,133	311,257
Investment contracts	65,087	72,275	84,106	195,706	232,500	35,735
Policyholder dividends payable	49,536	74,745	107,774	87,725	83,910	12,897
Interest-bearing loans and borrowings		2,623	2,643	16,170	18,794	2,889
Bonds payable	67,985	67,989	67,994	37,998		
Financial liabilities at fair value through profit or loss		10,890	856	2,031	2,529	389
Securities sold under agreements to repurchase	20,426	46,089	31,354	81,088	87,309	13,419
Annuity and other insurance balances payable	23,179	25,617	30,092	39,038	44,820	6,889
Premiums received in advance	6,305	15,850	32,266	35,252	18,505	2,844
Other liabilities	18,233	20,062	26,514	36,836	47,430	7,290
Deferred tax liabilities	4,919	19,375	16,953	7,768	4,871	749
Current income tax liabilities	5	52	5,347	1,214	6,198	953
Statutory insurance fund	184	223	217	491	282	43

Total liabilities	**1,750,356**	**1,959,236**	**2,122,101**	**2,389,303**	**2,572,281**	**395,352**
Equity						
Share capital	28,265	28,265	28,265	28,265	28,265	4,344
Other equity instruments			7,791	7,791	7,791	1,197
Reserves	97,029	145,919	163,381	145,007	145,675	22,390
Retained earnings	95,037	109,937	123,055	122,558	139,202	21,395
Attributable to equity holders of the Company	**220,331**	**284,121**	**322,492**	**303,621**	**320,933**	**49,326**
Non-controlling interests	2,254	3,210	3,722	4,027	4,377	673
Total equity	**222,585**	**287,331**	**326,214**	**307,648**	**325,310**	**49,999**
Total liabilities and equity	**1,972,941**	**2,246,567**	**2,448,315**	**2,696,951**	**2,897,591**	**445,352**

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Exchange Rate Information

We prepare our consolidated financial statements in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars, and U.S. dollars into Renminbi, at RMB 6.5063 to US$ 1.00, the noon buying rate on December 29, 2017 in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. You should not assume that Renminbi amounts could actually be converted into U.S. dollars at these rates or at all. Translations of foreign currency amounts into RMB amounts for the purpose of preparing our audited consolidated financial statements included elsewhere in this annual report or our previous annual reports have been made at the exchange rates published by the PBOC.

Since July 21, 2005, the PRC government has followed a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Under this 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. On August 11, 2015, the PBOC adjusted the quotation mechanism of the Renminbi central parity to also consider demand and supply in foreign exchange markets and price movements of major currencies, in addition to the closing price on the previous working day. On May 26, 2017, the PBOC introduced a counter-cyclical factor into its formula that determines a central parity of Renminbi against the U.S. dollar. Under the current mechanism, the central parity of the Renminbi against the U.S. dollar is determined based on the closing rate, changes in a basket of currencies and the counter-cyclical factor. 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 . In 2017, the Renminbi appreciated by approximately 6.36% against the U.S. dollar. It remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi.

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

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

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

Hong Kong dollar and other currencies are influenced by the linked rate between the U.S. dollar and the Hong Kong dollar.

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The following tables set forth various information concerning exchange rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates we used in this annual report. The source of these rates is the H.10 statistical release of the Federal Reserve Board. On April 13, 2018, the exchange rates were US$ 1.00 to RMB 6.2725 and US$ 1.00 to HK$ 7.8499, 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 2017	6.6533	6.5712	7.8106	7.7996
November 2017	6.6385	6.5967	7.8118	7.7955
December 2017	6.6210	6.5063	7.8228	7.8050
January 2018	6.5263	6.2841	7.8230	7.8161
February 2018	6.3471	6.2649	7.8267	7.8183
March 2018	6.3565	6.2685	7.8486	7.8275
April 2018 (through April 13, 2018)	6.3045	6.2655	7.8499	7.8482

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 2013, 2014, 2015, 2016, 2017 and 2018 (through April 13, 2018) (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$
2013	6.0537	7.7539	6.1412	7.7565
2014	6.2046	7.7531	6.1704	7.7554
2015	6.4778	7.7507	6.2869	7.7519
2016	6.9430	7.7534	6.6549	7.7618
2017	6.5063	7.8128	6.7350	7.7950
2018 (through April 13, 2018)	6.2725	7.8499	6.2893	7.8364

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

D. RISK FACTORS

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

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Risks Relating to Our Business

Our investments are subject to risks.

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

Until November 2006, we were only permitted to invest the premiums and other income we receive in investments in China. We obtained the approval to invest overseas with our foreign currency denominated funds in November 2006. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments . However, we continued to make our investments mainly in China and, as of December 31, 2017, approximately 98.90% of our total investment assets were in China. In particular, as of December 31, 2017, approximately 48.43% 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; approximately 17.34% of our total investment assets consisted of term deposits with Chinese banks, of which 58.80% were placed with the five largest Chinese state-owned commercial banks; and approximately 14.80% of our total investment assets consisted of loans provided to Chinese entities and individuals, including policy loans, investment in debt investment plans and trust schemes. A serious downturn in the Chinese economy may lead to investment losses, which would reduce our earnings.

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

As of December 31, 2017, we had RMB 409,528 million (US$ 62,943 million) invested in equity securities, among which RMB 132,826 million (US$ 20,415 million) were invested in PRC securities markets, including securities investment funds and shares traded on the securities markets in China. These securities investment funds and shares are primarily invested in equity securities that are issued by Chinese companies and traded on China s stock exchanges. The PRC securities markets are still emerging markets and are characterized by evolving regulatory, accounting and disclosure requirements. This may from time to time result in significant price volatility, unexpected losses or lack of liquidity. These factors could cause us to incur losses on our publicly traded investments. Also, as one of the largest institutional investors in China, we may from time to time hold significant positions in many securities in which we invest, and any decision to sell or any perception in the market that we are a major seller of a security could adversely affect the liquidity and market price of that security.

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

Approximately 48.43% of our investment assets as of December 31, 2017 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.

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Defaults on our investments in loans may materially and adversely affect our profitability.

Approximately 14.80% of our investment assets as of December 31, 2017 were comprised of loans, including policy loans, investments in debt investment plans and trust schemes. The borrowers to whom we provided loans may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce our profitability.

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

The CIRC has in recent years significantly broadened the investment channels of Chinese life insurance companies. We have considered these alternative channels when making investments. For example, we made our first domestic private equity fund investment in 2011. In 2012, we made a direct equity investment in COFCO Futures Co., Ltd. by acquiring a 35% equity interest in it. In 2013, we began making investments in commercial real estate properties. In 2014, we made our first overseas real estate investment, first overseas private equity fund investment and first domestic preferred shares investment. In 2016, we made our first investment in shares traded on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect between China s mainland markets and the Hong Kong Stock Exchange, and we also made our first investment in interbank negotiable certificates of deposit. However, our experience with these new investment channels, especially overseas channels, is limited, and these new channels are still subject to evolving regulatory requirements, which may increase the risk exposure of our investments. For example, since January 2013, debt investment plans are no longer required to be filed with and reviewed by the CIRC, and in March 2014, the CIRC warned insurance companies of risks in debt investment plans. The CIRC noted, among other things, that issuers of some debt investment plans are not properly backed by their parent companies which are supposed to guarantee the payments if the plans face financial difficulties. Parent companies of some issuers do not engage in operating activities that can generate cash inflows and do not have effective control over their subsidiaries. As a result, the consolidated financial statements of these companies may not fully reflect their capacity to make payments when the plans face financial difficulties. As of December 31, 2017, the total amount of our investment in debt investment plans was RMB 73,668 million (US$ 11,323 million). These factors could cause us to incur losses for our investments in these new investment channels or limit our ability to improve our rate of investment return.

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

A portion of our investment assets are held in foreign currencies. We are authorized by the CBIRC (formerly CIRC) to invest our assets held in foreign currencies in the overseas financial markets as permitted by the CBIRC (formerly CIRC). Thus, our investment results may be subject to foreign exchange gains and losses due to changes in exchange rates as well as the volatility and various other factors of overseas capital markets, including, among others, increase in interest rates. We recorded RMB 52 million (US$ 8.0 million) in foreign exchange gains for the year ended December 31, 2017, resulting mainly from the increase in our assets held in foreign currencies and the fluctuation of the Renminbi exchange rate. However, it remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi. Future movements in the exchange rate of RMB against the U.S. dollar and other foreign currencies may adversely affect our results of operations and financial condition.

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We are exposed to changes in interest rates.

Changes in interest rates may affect our profitability.

Our profitability is affected by changes in interest rates. Interest rates are highly sensitive to many factors, including economic growth rate, inflation, governmental monetary and tax policies, domestic and international economic and political conditions, financial regulatory requirements and other factors beyond our control. If interest rates were to increase significantly in the future, surrenders and withdrawals of life insurance and annuity policies and contracts may increase as policy holders may seek other investments with higher perceived returns. This process may result in cash outflows requiring that we sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. However, if interest rates were to decline in the future, the income we realize from our investments may decrease, affecting our profitability. In addition, as instruments in our investment portfolio mature, we might have to reinvest the funds we receive in investments bearing low interest rates, which may also affect our profitability. See Item 11 Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk .

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

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

As of December 31, 2017, the average guaranteed rate of return for all of our long-term insurance policies in force was 2.62%, while our investment yields for the years ended December 31, 2017, 2016 and 2015 were 5.16%, 4.61% and 6.47%, respectively. See Item 4. Information on the Company Business Overview Investments Investment Results . However, if the rates of return on our investments were to fall below the minimum rates we guarantee, our profitability would be materially and adversely affected.

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

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

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

A substantial portion of our business is conducted through our exclusive agents. Because of differences in productivity, some of our sales agents are responsible for a disproportionately high percentage of our sales of individual products. If we are unable to retain and build on this core group of highly productive agents, our business could be materially and adversely affected. Increasing competition for agents from other insurance companies and business institutions and increasing labor costs in China may also force us to increase the compensation of our agents, which would increase our operating costs and reduce our profitability. In addition, on January 6, 2013, the CIRC issued the Regulatory Rules on Insurance Sales Personnel, or the Sales Personnel Rules, which became effective on July 1, 2013. Among other things, the Sales Personnel Rules provide that exclusive agents must have at least a college degree, instead of a junior high school degree as previously required by the CIRC. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries . The CIRC has authorized its local branches to set the education degree requirements for exclusive agents by considering local conditions. We believe that if more CBIRC (formerly CIRC) branches were to impose the requirement of having a college degree or above on new qualified exclusive agents, we cannot guarantee that we will not have difficulty in attracting and retaining productive agents in the future. In addition, as the market competition for qualified agents increases, our costs of attracting and retaining qualified agents may increase.

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

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

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

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

- engaging in misrepresentation or fraudulent activities when marketing or selling insurance policies or annuity contracts to customers;
- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses; or
- otherwise not complying with laws or our control policies or procedures.

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

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

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

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

Our earnings depend significantly upon the extent to which our actual operating results are consistent with the assumptions used in pricing and establishing the reserves for insurance contracts in our financial statements. Our assumptions include those for discount rate, mortality, morbidity, lapse rate and expenses. 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.

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We establish the reserves for insurance contracts based on the use of assumptions for discount rate, mortality, morbidity, lapse rate and expenses. These assumptions are based on our previous experience and the 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 fulfill our obligations under the insurance contracts 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 contracts based on such assumptions. If the reserves originally established for future policy benefits prove inadequate, we must increase our reserves established for future policy benefits, which may have a material effect on our earnings and our financial condition.

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

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

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Many of our current 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 fully predict future exposures, which could be significantly greater than what the historical measures indicate. In addition, risk management depends 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 we may 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.

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

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

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

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

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

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

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

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

United States Foreign Account Tax Compliance Act

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

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

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We will closely monitor developments regarding FATCA and the IGA. If we are required to comply with the terms of the IGA or FATCA, as applicable, we expect that our compliance costs will increase. If we do not comply with the terms of the IGA or FATCA, as applicable, then certain payments to us will be subject to withholding under FATCA. However, since the text of the IGA has not been released, and regulations and other guidance remain under development, the future impact of this law on us is uncertain.

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

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

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

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

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

In December 2012, the SEC initiated administrative proceedings against five accounting firms in China, alleging that they refused to produce audit work papers and other documents related to certain China-based companies under investigation by the SEC for potential accounting fraud. In January 2014, an SEC administrative law judge ruled in favor of the SEC, issuing an initial decision which censured each of the five accounting firms for failure to provide their audit work papers to the SEC and ordered a six-month suspension of the China-based affiliates of four of the five accounting firms right to practice before the SEC. The accounting firms have appealed the decision of the administrative law judge to the SEC, and the decision will not come into force unless and until an order of finality is issued by the SEC. We are not subject to any SEC investigations, nor are we involved in the proceedings brought by the SEC against the accounting firms. However, the China affiliate of the independent registered public accounting firm that has issued the auditor s report included in our annual reports filed with the SEC for the 2013, 2014 and 2015 fiscal years, which is also our independent registered public accounting firm for the 2016 and 2017 fiscal years, is one of the five accounting firms named in the SEC s proceedings.

In February 2015, four of the five accounting firms, including the China affiliate of the independent registered public accounting firm that has issued the auditor s report included in our annual report filed with the SEC for the 2013, 2014 and 2015 fiscal years, which is also our independent registered public accounting firm for the 2016 and 2017 fiscal years, each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to audit documents of China-based companies via the CSRC. If future document productions fail to meet the specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure, including an automatic six-month bar on the performance of certain audit work, commencement of a new proceeding or the resumption of the current proceeding by the SEC. While we cannot predict if the SEC will further review the four China-based accounting firms compliance with specified criteria or if the results of such a review would result in the SEC imposing penalties, if they are subject to additional remedial measures, we may be adversely affected, along with other U.S.-listed companies in China audited by these accounting firms. If none of the China-based auditors are able to continue to perform audit work for China-based companies listed in the U.S., we will not be able to meet the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting of our ADSs from the NYSE.

Risks Relating to the PRC Life Insurance Industry

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

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

Competition among domestic life insurance companies is increasing.

Our closest competitors are Ping An Life Insurance Company of China, Ltd., or Ping An Life, China Pacific Life Insurance Co., Ltd., or China Pacific Life, New China Life Insurance Co., Ltd., or New China Life, and Taikang Life Insurance Co. Ltd., or Taikang Life. According to statistical and unaudited market share information released by the CIRC on its website, together, Ping An Life, China Pacific Life, New China Life, Taikang Life and we accounted for approximately 49% of the life insurance premiums in China in 2017, with our market share in China decreasing from 19.9% in 2016 to 19.7% in 2017. Each of Ping An Life, China Pacific Life, New China Life and Taikang Life has operated in the Chinese insurance market for more than twenty years, and each has a recognized brand name. According to statistical and market share information derived from China Insurance Yearbook, in 2016, the last year for which the audited market information for separate business segments and geographic markets business is available, Ping An Life had a greater market share than we did in Beijing, Shanghai, Tianjin, Qingdao, Dalian, Shenzhen, Xiamen, Hainan and Ningbo, and New China Life had a greater market share than we did in Beijing. We also face competition from insurance companies owned or controlled by commercial banks.

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Each of the five largest Chinese state-owned commercial banks has set up their own life insurance companies. These insurance companies are able to benefit from their holding relationships with these commercial banks to develop bancassurance as their main distribution channels. In addition, we also face competition from smaller insurance companies, which may have competitive advantages 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 Chinese government s adoption of policies that encourage the development of health insurance and improved health care in China.

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

Foreign-invested life insurance companies are insurance companies in which foreign entities hold at least a 25% interest. Foreign-invested life insurers have been permitted to sell health, annuity and group life insurance products nationwide in China since December 2004. According to statistical and unaudited market share information released by the CIRC on its website, foreign-invested insurers had a life insurance market share of approximately 7.4% in 2017. On November 10, 2017, China announced that it will substantially relax foreign ownership limits in life insurance companies. On April 11, 2018, the Governor of the PBOC further clarified that regulations would be introduced within the next several months increasing the limit on foreign ownership in Chinese life insurance companies to 51% from the current 50%, with all foreign ownership restrictions in the Chinese life insurance sector removed in three years. Although detailed implementation rules have not yet been issued, we believe that the relaxation of the restrictions on foreign-invested insurers, once implemented, will continue to increase the competitive pressures we are facing.

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

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

Property and casualty companies. Beginning on January 1, 2003, property and casualty insurance companies have been permitted to sell short-term health insurance and accident products, but only with regulatory approval. There were 85 property and casualty insurers as of December 31, 2017. We believe property and casualty insurers have the competitive advantage of being able to bundle, or cross-sell, short-term health and accident 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. On December 30, 2006, we established a property and casualty company, CLPCIC, with CLIC. While this joint venture mainly focuses on property insurance business, it also develops short-term health insurance and accident business. Its operations may have a negative impact on sales of our short-term health insurance and accident products in the future.

Mutual fund companies, commercial banks and other financial services providers. We face increasing competition from other financial services providers, primarily licensed mutual fund companies, commercial banks providing personal banking services and offering various financial products, trust companies and securities brokerage firms licensed to manage separate accounts. These financial service providers provide a variety of financial investment products that may prove to be attractive to the public and thereby adversely affect the sale of some products we offer, including traditional life insurance policies with a savings feature, participating life insurance policies and annuities.

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

Institutional insurance agents and insurance brokers are required under the PRC insurance law to register with the administration of industry and commerce, and obtain business licenses with the permits issued by the CBIRC (formerly 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 CBIRC (formerly CIRC). We cannot assure you that all of our institutional agents will obtain such licenses. The enforcement of this requirement could adversely affect the composition and productivity of our distribution channel, which could have a material adverse effect on our business.

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

We operate in a highly regulated industry. The CBIRC (formerly CIRC) supervises and administers the insurance industry in China. In exercising its authority, it is given certain discretion to administer the law. China s insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on our activities. For example, the CIRC issued notices in September 2016 and May 2017 to further reinforce the regulation of life insurance products by requiring insurance companies to revise or improve the design of a number of insurance products. For instance, insurance companies are required to (i) increase the death coverage for insurance products including individual term life insurance, individual endowment insurance and individual whole life insurance products, and (ii) seek CIRC approval for universal insurance products with a guaranteed interest rate above 3%. CIRC also required that (i) whole life insurance, annuity insurance and care insurance products must not be designed as short-to-medium term products, (ii) the first payment of survival insurance benefits for endowment products and annuity products must only occur after five years since the policy has become effective, and the annual payment or partial payment must not exceed 20% of the paid premiums, and (iii) insurance companies must not design universal insurance products or investment-linked insurance products in the form of riders. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of products . These new requirements apply to a number of key products sold by us. Although these requirements are consistent with our long-term development strategy, revising the design of a number of products during a short period of time may increase our operating costs and may adversely affect our business, results of operations and financial condition.

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 the guidelines issued by the CIRC, the dividends on our participating products must be no less than 70% of the distributable earnings from participating products in accordance with CIRC requirements. If this level were to be increased in the future, our profitability could be materially and adversely affected. Furthermore, in August 2013, February 2015 and September 2015, the CIRC removed the 2.50% cap on the guaranteed interest rates for traditional non-participating insurance policies, universal life insurance policies and participating life insurance policies, respectively. From October 1, 2015, the guaranteed interest rates of all long-term life insurance products are to be decided by insurance companies at their discretion in accordance with the principle of prudence, but CBIRC (formerly CIRC) approval is required for products with guaranteed interest rates above the maximum valuation rate set by the CIRC, which varies by product. Although the removal of the 2.50% cap has not resulted in any material impact on the profitability of our insurance policies in force, it could result in the increase of the guaranteed interest rates of our new products and the decrease of our spread, and therefore we cannot assure you that the removal of the 2.50% cap will not lead to a material adverse effect on our business, results of operations or financial condition.

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

In February 2015, the CIRC issued the major technical standards for a new set of solvency regulations, the China Risk Oriented Solvency System, or C-ROSS, with the aim of replacing the then current solvency requirements on Chinese insurance companies, or Solvency I. C-ROSS adopts the internationally accepted three-pillar regulatory system which includes quantitative capital requirements, qualitative regulatory requirements and market discipline mechanisms while its regulatory concept, models, methods and parameters are based on Chinese insurance market conditions. C-ROSS was officially implemented by the CIRC on January 1, 2016. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements. Our core solvency adequacy ratio under C-ROSS as of December 31, 2017 was 277.61%, and our comprehensive solvency adequacy ratio under C-ROSS as of December 31, 2017 was 277.65%. While our solvency ratio is currently above the regulatory requirements, if we grow rapidly in the future, or if the required solvency level is raised in the future, we may need to raise additional capital to meet our solvency requirement, including through additional issuance of subordinated debt, which would increase our financing costs, or through additional issuance of shares, which would be dilutive to our existing investors. If we are not able to raise additional capital, we may be forced to reduce the growth of our business. Prior to the filing of this annual report, we became aware that, based on the latest comprehensive rating results regarding the solvency risks of insurers released by the CBIRC for the fourth quarter of 2017, we had been classified as a Category B insurer (i.e. an insurer whose solvency adequacy ratio meets the regulatory requirement and whose risk level is relatively low for operation risk, strategy risk, reputation risk and liquidity risk). Category B insurers may be subject to a range of regulatory actions by the CBIRC. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements. Previously we were classified as a Category A insurer. It remains unclear whether the CBIRC will take any regulatory action with respect to our company or how these regulatory actions (if any) will affect our business or financial condition.

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

Risks Relating to the Restructuring

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

In connection with the restructuring, CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in an actuarial 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 interest rates it had committed to pay on these policies are higher than the investment return it was able to generate on its investment assets. This negative spread on non-transferred policies created substantial losses for CLIC and a resulting negative net worth. The amount of accumulated undistributed profits of CLIC itself is expected to remain negative in the short term.

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In connection with the restructuring, CLIC established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. The 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, the MOF will provide support through the injection of funds to ensure the payments of benefits and claims to the policyholders of the non-transferred policies. See Item 4. Information on the Company History and Development of the Company Our Restructuring . In connection with the restructuring, we were advised by our PRC legal counsel, King & Wood, that (1) the MOF has the authority to issue this approval regarding the special purpose fund, (2) the approval is valid and effective, and (3) it has no reason to believe that the MOF will revoke the approval. We cannot assure you, however, that a court would decide in a manner consistent with King & Wood s conclusions.

We cannot predict the amount of funds that will be available to the special purpose fund from CLIC s own operations to satisfy its obligations to its policyholders as they become due. CLIC s cash requirements and available cash resources will be affected by several factors which are subject to uncertainty, including prevailing interest rates and the returns on investment generated by CLIC s assets, as well as the claims, expenses and persistency experience with respect to CLIC s insurance policies. The cash resources available to CLIC will also depend in part on our profitability, which will affect the amount of our tax payments and hence the amount of refund contributed to the fund (if CLIC s application for the extension of the period during which the income tax payments will be rebated is approved; see Item 4. Information on the Company History and Development of the Company Our Restructuring), 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.

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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, the C mark 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 the China Life brand name, the ball logos and the C mark.

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

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

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

CLIC may direct business opportunities elsewhere.

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

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CLIC engages in insurance businesses in Hong Kong, Macau and Singapore through China Life Insurance (Overseas) Co., Limited, or China Life Overseas, its wholly owned subsidiary. CLIC also may continue to 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 business opportunities it develops in these areas, we may not be in a position to take advantage of these opportunities at that time, which could harm our business. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

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

Risks Relating to the People s Republic of China

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

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

- the extent of government involvement;
- its level of development;
- its growth rate; and
- its control of foreign exchange.

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

According to data released by the National Bureau of Statistics of China, China s Gross Domestic Product, a key indicator of economic growth, was 6.9% in 2017. In an effort to bolster the economy, the Chinese government may take certain measures, including market-oriented financial reforms. Some of the measures taken by the Chinese government to improve China s economic performance may have a negative effect on our business. For example, our operating results and financial condition could be materially and adversely affected by government monetary policies and changes in interest rate policies, tax regulations and policies and regulations affecting the capital markets and the asset management industry. A slowdown in Chinese growth rates could also adversely affect us by impacting sales of our products, reducing our investment returns, or otherwise.

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

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

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

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

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

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

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

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

Holders of H shares may be subject to PRC taxation.

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

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

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

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

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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. Under this 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. On August 11, 2015, the PBOC adjusted the quotation mechanism of the Renminbi central parity to also consider demand and supply in foreign exchange markets and price movements of major currencies, in addition to the closing price on the previous working day. On May 26, 2017, the PBOC introduced the counter-cyclical factor into its formula that determines a central parity of Renminbi against the U.S. dollar. Under the current mechanism, the central parity of the Renminbi against the U.S. dollar is determined based on the closing price, changes in a basket of currency exchange rates and the counter-cyclical factor. From July 21, 2005 to April 13, 2018, the Renminbi appreciated by approximately 28.9% against the U.S. dollar. In 2017, the Renminbi appreciated by 6.36% against the U.S. dollar. A portion of our assets and liabilities are held in foreign currencies and may be subject to foreign exchange gains and losses due to changes in exchange rates. We recorded RMB 520 million (US$ 80 million) in foreign exchange gains for the year ended December 31, 2017, resulting mainly from the increase of our assets held in foreign currencies and the fluctuation of the Renminbi exchange rate. Any future appreciation of the Renminbi may materially and adversely affect the value of, and any dividends payable on, our H shares in foreign currency terms. Our financial condition and results of operations also may be affected by changes in the value of certain currencies other than the Renminbi.

Payment of dividends is subject to restrictions under Chinese law.

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We were formed as a joint stock life insurance 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 official 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.

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Our Restructuring

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

In connection with the restructuring:

CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in an actuarial 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 .

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

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

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

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

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

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

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

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Developments After Restructuring

On November 23, 2003, we established an asset management company, AMC, with CLIC, in connection with the restructuring. AMC manages our investment assets and, separately, substantially all of those of CLIC. On December 30, 2006, we established a property and casualty company, CLPCIC, with CLIC. On January 15, 2007, we established a pension insurance company, China Life Pension, with CLIC and AMC.

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

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

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

We incurred capital expenditures of RMB 17,055 million (US$ 2,621 million), RMB 5,892 million and RMB 3,615 million in 2017, 2016 and 2015, respectively. These capital expenditures mainly comprised of the addition of properties for our own use.

B. BUSINESS OVERVIEW

We are the leading life insurance company in China. We provide a broad range of insurance products, including individual and group life insurance, annuity, health insurance and accident insurance products. We had nearly 268 million insurance policies in force as of December 31, 2017, including individual and group life insurance policies, annuity contracts, health insurance and accident insurance policies. As of December 31, 2017, the average guaranteed rate of return for all of our long-term insurance policies in force was 2.62%. For the financial year ended December 31, 2017, our lapse rate was approximately 4.13%. The policy persistency rates, which measure the ratio of the insurance policies that are still effective after a certain period, were 90.90% for 14 months after issuance and 85.70% for 26 months after issuance.

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

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

Life Insurance

We offer life insurance and annuity products to individuals and groups. We market our individual life insurance and annuity products primarily through a distribution force comprised of approximately 1,578,000 exclusive agents operating in approximately 17,100 field offices throughout China, as well as other non-dedicated agencies located at branch offices of banks and other organizations. We offer group life insurance and annuity products to the employees of companies and institutions through approximately 100,000 direct sales representatives, as well as insurance agencies and insurance brokerage companies. Gross written premiums generated by our life insurance and annuity products, totaled RMB 429,822 million (US$ 66,062 million) for the year ended December 31, 2017, RMB 361,905 million for the year ended December 31, 2016 and RMB 308,169 million for the year ended December 31, 2015, constituting 83.96%, 84.07% and 84.67% of our total gross written premiums for those periods. The figure for 2017 represented a 18.77% increase from 2016.

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

	As of or for the year ended December 31,				Compound annual growth rate (2015-2017)
	2015 RMB	**2016 RMB**	**2017 RMB**	**2017 US$**	
	(in millions, except as otherwise indicated)				
Gross written premiums	308,169	361,905	429,822	66,062	18.10%
Liabilities of insurance contracts	1,652,469	1,762,363	1,914,597	294,268	7.64%
Liabilities of investment contracts	74,046	183,773	218,436	33,573	71.76%

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. We also offer group annuity products and group whole life and term life insurance products to enterprises and institutions. We market these products as an important part of our group customers overall employee benefit plans. We believe we are the market leader in the development of group annuity products.

We offer both non-participating and participating products. There were approximately 212 million non-participating policies and 56 million participating policies as of December 31, 2017, among which approximately 107 million non-participating policies and 39 million participating policies were sold to individuals.

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

	For the year ended December 31,				Compound annual growth rate
	2015 RMB	2016 RMB	2017 RMB	2017 US$	(2015-2017)
	(in millions, except as otherwise indicated)				
Gross written premiums					
Whole life and term life insurance	31,595	33,395	40,606	6,241	13.37%
Endowment	177,871	188,415	198,418	30,496	5.62%
Annuities	98,703	140,095	190,798	29,325	39.03%

Whole Life and Term Life Insurance

Non-participating whole life and term life insurance

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

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

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

Participating whole life insurance

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

We have ceased offering participating whole life insurance since April 2017 in accordance with regulatory requirements. We continue to fulfill our obligations under the participating whole life insurance policies that are still in force.

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

Participating endowment products

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

China Life Fu Lu Shuang Xi Participating Endowment and China Life Xin Fu Yi Sheng Participating Endowment generated the most income for participating endowment products in 2017. China Life Fu Lu Shuang Xi Participating Endowment had RMB 19,659 million (US$ 3,022 million) of net premiums in 2017, representing 4.58% of the net premiums of our life insurance business. China Life Xin Fu Yi Sheng Participating Endowment had RMB 18,494 million (US$ 2,842 million) of net premiums in 2017, representing 4.31% of the net premiums of our life insurance business. The net premiums earned from our participating endowment products decreased by RMB 14,168 million (US$ 2,178 million), or 10.69%, to RMB 118,390 million (US$ 18,196 million) in 2017 from RMB 132,558 million in 2016.

We offer endowment products only to individual customers.

Annuities

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

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

In our non-participating group annuities, interest accrued 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 accrued on an annuitant s deposits is either credited to the participating employee s personal account or credited to the participating employee s personal account as well as the employer s group account. The annuitant is entitled to share a portion of our distributable earnings of our participating products, as determined by us in accordance with the requirements of the CIRC, in excess of the rate we guarantee to participating employees.

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Universal Life Products

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

Marketing and Distribution

Individual

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

We distribute our individual life and annuity products nationwide through multiple channels. Our primary distribution system is comprised of approximately 1,578,000 exclusive agents in approximately 17,100 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 44,000 outlets of commercial banks, to diversify our distribution channels and to achieve higher growth. See Distribution Channels .

Group

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

We market our group life insurance and annuity products primarily through our direct sales representatives. We also market our group life insurance and annuity products through commercial banks, insurance agency companies and insurance brokerage companies. See Distribution Channels .

Health Insurance

We offer a broad array of health insurance products and services to both individuals and groups, including disease-specific insurance, medical expense insurance and defined benefit insurance. Our health insurance gross written premiums totaled RMB 67,708 million (US$ 10,407 million) for the year ended December 31, 2017, RMB 54,010 million for the year ended December 31, 2016 and RMB 42,041 million for the year ended December 31, 2015, constituting 13.23%, 12.55% and 11.55% of our total gross written premiums for those periods. The figure for 2017 represented a 25.36% increase from 2016.

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

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

	As of or for the year ended December 31,				Compound annual growth rate (2015-2017)
	2015 RMB	2016 RMB	2017 RMB	2017 US$	
	(in millions, except as otherwise indicated)				
Gross written premiums	42,041	54,010	67,708	10,407	26.91%
Liabilities of insurance contracts	57,024	77,837	102,190	15,706	33.87%
Liabilities of investment contracts	10,060	11,933	14,064	2,162	18.24%

Products

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

Defined health benefit plans

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

Medical expense reimbursement plans

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

Since 2003, we also started providing medical agency services for the basic social insurance plans carried out by the Chinese government. The agency services include checking and reimbursement of medical expenses and medical service investigation. We do not collect premiums but only charge a specified amount of handling fees for these services. As of December 31, 2017, we have carried out more than 400 medical agency services projects in over 20 provinces, providing services to more than 90 million people.

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We also commenced our supplementary major medical insurance business in 2013. As part of the Chinese government s overall medical insurance scheme, supplementary major medical insurance reimburses policyholders for a specified percentage of their high medical expenses caused by major illnesses which are in excess of the maximum amounts covered by the basic social medical insurance and will otherwise be borne by the individuals. The Chinese government launched pilot supplementary major medical insurance programs beginning in 2013, and as of the date of this annual report, the Chinese government has implemented supplementary major medical insurance programs nationwide in China. Local governments use a portion of the basic medical insurance funds to purchase supplementary major medical insurance service from qualified insurance companies through a government tender. Supplementary major medical insurance offers protection to all the policyholders covered by the basic social medical insurance in the pilot areas and policyholders do not need to pay any extra premium for the supplementary major medical insurance. As of December 31, 2017, we had carried out over 260 supplementary major medical insurance projects, providing services to approximately 420 million people.

Care insurance plans

These plans provide to individuals who have disabilities covered by the insurance contracts with a fixed allowance and reimbursement of expenses for their daily living and medical care. Premium payments are paid either in a single payment or on a periodic basis.

We commenced our care insurance business in 2015. The Chinese government launched pilot long-term care insurance programs beginning in 2016. Under these programs, local governments in pilot areas raise funds through various channels to provide funds or protection services to people who have life disabilities for their daily living and medical care. Some local governments purchase long-term care insurance services from qualified insurance companies through government tender procedures. As of December 31, 2017, we had carried out nine long-term care insurance projects, providing services to over 5 million people.

Disease-specific plans

These plans provide a 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 market our health insurance products either as primary products, as riders or as supplementary products packaged with our life, annuity or accident insurance products. We conduct extensive health insurance related training programs for our direct sales representatives and our exclusive agents.

Accident Insurance

We are the leading accident insurance provider in China. Our accident insurance gross written premiums totaled RMB 14,436 million (US$ 2,219 million) for the year ended December 31, 2017, RMB 14,583 million for the year ended December 31, 2016 and RMB 13,761 million for the year ended December 31, 2015, constituting 2.82%, 3.39% and 3.78% of our total gross written premiums for those periods. The figure for 2017 represented a 1.01% decrease from

2016.

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

	As of or for the year ended December 31,				Compound annual growth rate (2015-2017)
	2015 RMB	2016 RMB	2017 RMB	2017 US$	
	(in millions, except as otherwise indicated)				
Gross written premiums	13,761	14,583	14,436	2,219	2.42%
Liabilities of insurance contracts	6,492	7,786	8,346	1,283	13.38%

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

Group accident insurance

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

Marketing and Distribution

We market our individual accident insurance products through our direct sales force and our exclusive agent sales force, as well as intermediaries, such as non-dedicated agencies located at outlets of commercial banks, 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 market our accident insurance products either as primary products, as riders or as supplementary products packaged with our life, annuity or health products. Our direct sales representatives market our individual accident products to employees of our institutional customers.

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Product Development

In 2017, in line with our general development strategy, we developed and introduced 101 new products, including 64 long-term insurance products consisting of 14 life insurance products, 26 annuity products, one accident insurance product and 23 health insurance products; and 37 short-term insurance products consisting of two life insurance products, 12 accident insurance products and 23health insurance products.

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

- for the individual insurance distribution channel, eight products including insurance packages of China Life Luck for Children (ultimate edition) and China Life Luck (ultimate edition); Kang Ning Regular (premium edition) illness insurance package, which optimizes and upgrades the product of Kang Ning Regular and is suitable for the general public; Sheng Shi Chuan Jia whole life insurance product, which enables us to generate more premiums and commissions and benefits the development of our protection-based products; Sheng Shi Yan Nian pension annuity insurance, which meets customer s needs for planning for their elderly years with commercial pension products; and Ji Xiang Care insurance package, through which we provide care liability coverage;

- for the bancassurance distribution channel, several products including China Life Xin Xi Bao annuity insurance, China Life Additional Le Jian Bao critical illness insurance, China Life Xin Fu Wen Ying annuity insurance and China Life Xin Yuan Bao universal annuity insurance (preferential edition) sold in combination with other products, and the insurance package of China Life Guang You Life, which is exclusive to China Guangfa Bank, further improving the competitiveness of our product package and effectively promoting the business development of the bancassurance distribution channel;

- for the group distribution channel, China Life Hui Xiang Yi Sheng whole life critical illness insurance, in response to the transformation and upgrade of the channel, which taps the resources of corporate customers;

- for the telephone distribution channel, Hong Kang Jia Bao (Type A/B) products for existing Hong Kang customers, which are designed to expand coverage of diseases at a lower premium; Xin Fu E Sheng, a popular product for the channel, which has been upgraded and modified to meet new regulatory requirements; and two annuity insurance products, the Fu Man Jin Sheng (general) and Fu Man Jin Sheng (participating); and

- for the online distribution channel, nine products including, among others, the Ru E Bei Bei insurance package, the Kang Ai E Sheng, E Shu Tie insurance package, Ru E Kang Yue (Type A/B/C) and Ru E Bao.

With respect to short-term insurance products, we developed a series of insurance products for medical insurance accounts in some parts of the Yangtze River Delta region in order to improve the utilization efficiency of balances in personal basic medical insurance accounts and alleviate the pressure from self-paying medical expenses in some regions; developed seven products in the Fu Pin Bao series for registered poverty-stricken individuals based on the experiences of poverty relief work in Ningxia, which considers the needs for poverty relief and protections in various regions; developed two products including China Life Group Care Insurance to cater for care-related pilot policies introduced by the local governments; developed China Life Quan Jia Fu medical insurance to meet the medical protection needs of family customers; and updated and developed several insurance products such as the Tong Tai series to cater for the needs of different segments in the market.

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Distribution Channels

We believe we have the largest distribution force with the most extensive geographic reach compared with any of our competitors. Our distribution network reaches almost every county in China. Throughout China, we have approximately 1,578,000 exclusive agents operating in approximately 17,100 field offices for our individual products and approximately 100,000 direct sales representatives for group products. We have a multi-channel distribution network selling individual and group insurance products through intermediaries, primarily non-dedicated agencies located in approximately 44,000 outlets of commercial banks as of the end of 2017. Commission rates vary by product, based on such factors as the payment terms and period over which the premiums are paid for the product, as well as CIRC regulations. We support our agents and representatives through training programs, sales materials and information technology systems.

Exclusive agent force

Our exclusive agent force of approximately1,578,000 agents is the primary distribution channel for our individual life, annuity, health and accident insurance products.

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

	As of December 31,		
	2015	2016	2017
Number of exclusive agents (approximately)	979,000	1,495,000	1,578,000
Number of field offices	17,125	17,011	17,100

Our exclusive agent force is among our most valuable assets, allowing us to more effectively control our distribution and build and maintain long-term relationships with our individual customers. The number of our exclusive agents increased from 1,495,000 as of the end of 2016 to 1,578,000 as of the end of 2017. During 2017, we attracted more new qualified agents by expanding our recruitment program, making further efforts in training new qualified agents and strengthening sales support. At the same time, we have continued carrying out performance reviews in 2017, which have led to the departure of a number of exclusive agents with lower productivity. In addition, in August 2015, the CIRC canceled the qualification certificates requirements for the individual insurance agents, which helped to facilitate our recruitment process. However, we still adhere to our own standards for recruitment to ensure the quality and productivity of our exclusive agent force. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries and Item 3. Key Information Risk Factors Risks Relating to Our business Our growth is dependent on our ability to attract and retain productive agents. We believe that our customers and prospective customers prefer the personal approach of our exclusive agents and, therefore, we believe our exclusive agent force will continue to serve as our core distribution channel.

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

We supervise and provide training to our exclusive agents through more than 2,053 full-time trainers and 169,684 part time trainers. We set product management and customer service standards, and have developed risk warning and credit rating systems, which we require all of our field offices and agents to meet, and conduct field tests with a view to ensuring quality. We also have an extensive training program.

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

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

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

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

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

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

- improving the management of our exclusive agents by developing consistent standards for managing the conduct of our exclusive agents; and

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

Group distribution channel

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

Direct sales force

Our direct sales force, which consists of approximately 100,000 direct sales representatives, is our primary distribution system for our group life insurance and annuities, group accident insurance and group health insurance products, as well as our individual accident insurance and individual short-term health insurance products. The number of our direct sales representatives increased rapidly from 86,000 as of the end of 2016 to 104,000 as of the end of 2017. During 2017, we attracted more direct sales representatives by strengthening our recruitment program and making active efforts in recruiting and training direct sales representatives.

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We believe maintaining our leading position in the group insurance market depends on a professional and qualified direct sales force. We set product management and customer service standards which we require all of our branch offices and direct sales representatives to meet.

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

Intermediaries

We also offer individual and group products through intermediaries.

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

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

Bancassurance channel

We have bancassurance arrangements with major commercial banks in China, and currently generate a significant portion of our total sales through bancassurance. Our distribution channels are primarily comprised of non-dedicated agencies located in approximately 44,000 outlets of commercial banks. We have established strategic alliances with many banks. We intend to improve the attractiveness of our products by providing new products and all-around services to each major bank and providing training and integrated systems support to our banking partners.

Other distribution channels

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

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

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

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Gross written premiums attributable to each distribution channel

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

	For the year ended December 31			
	2015 RMB	2016 RMB	2017 RMB	2017 US$
	(in millions)			
Exclusive agent force	225,957	282,136	353,668	54,358
First-year business of long-term insurance	47,974	74,813	90,629	13,929
Single	495	283	389	60
First-year regular	47,479	74,530	90,240	13,870
Renewal business	171,632	199,826	253,586	38,975
Short-term insurance business	6,351	7,497	9,453	1,453
Group distribution channel	20,107	24,915	26,207	4,028
First-year business of long-term insurance	3,571	5,430	4,368	671
Single	3,372	4,571	3,425	526
First-year regular	199	859	943	145
Renewal business	553	703	999	154
Short-term insurance business	15,983	18,782	20,840	3,203
Bancassurance channel	106,028	108,256	113,505	17,445
First-year business of long-term insurance	87,222	85,882	80,731	12,408
Single	73,508	68,047	59,777	9,188
First-year regular	13,714	17,835	20,954	3,221
Renewal business	18,558	21,813	31,880	4,900
Short-term insurance business	248	561	894	137
Other distribution channels	11,879	15,191	18,586	2,857
First-year business of long-term insurance	1,209	811	1,064	164
Single	701	90	80	12
First-year regular	508	721	984	151
Renewal business	864	1,160	1,641	252
Short-term insurance business	9,806	13,220	15,881	2,441
Total	**363,971**	**430,498**	**511,966**	**78,688**

Competition

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

In the life insurance market, Ping An Life, China Pacific Life, New China Life, Taikang Life and we collectively represented approximately 46% of total life insurance premiums in 2016. We primarily compete based on the nationwide reach of our sales network, the largest distribution force and the level of services we provide, as well as our strong brand name.

In the accident insurance market, Ping An Life, China Pacific Life, New China Life, Taikang Life and we collectively represented approximately 65% of total accident premiums in 2016. 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.

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In the health insurance market, Ping An Life, China Pacific Life, New China Life, Taikang and we collectively represented approximately 43% of total health premiums in 2016. We primarily compete based on the nationwide reach of our sales network, the level of services we provide, our multi-layered managed care scheme and systems of policy review and claim management, as well as our strong brand name.

The following table sets forth market share information for the year ended December 31, 2016, the most recent year for which official market information for separate business segments is available, in all segments of the life insurance market in which we do business.

	Life premiums market share	Accident premiums market share	Health premiums market share	Total premiums market share
China Life	20%	29%	14%	20%
Ping An Life Insurance Company of China, Ltd. (1)	11%	21%	15%	13%
China Pacific Life Insurance Co., Ltd.	6%	11%	5%	6%
New China Life Insurance Co., Ltd.	5%	3%	6%	5%
Taikang Life Insurance Co., Ltd.	4%	1%	3%	4%
Others(2)	54%	35%	57%	52%
Total	**100%**	**100%**	**100%**	**100%**

(1) For purposes of this annual report, the statistics for Ping An Life Insurance Company of China, Ltd. do not include those of Ping An Health Insurance Company of China, Ltd. and Ping An Annuity Insurance Company of China, Ltd.

(2) Others include: PICC Life Insurance Co., Ltd., PICC Health Insurance Co., Ltd., Taiping Life Insurance Co., Ltd., Taiping Pension Co., Ltd., Minsheng Life Insurance Co., Ltd., CPIC Allianz Health Insurance Co., Ltd., Ping An Health Insurance Company of China, Ltd., Ping An Annuity Insurance Company of China, Ltd., China United Life Insurance Co., Ltd., Sunshine Life Insurance Corporation Limited, Taikang Pension & Insurance Co., Ltd., Huatai Life Insurance Co., Ltd., Tianan Life Insurance Company Limited of China, Funde Sino Life Insurance Co., Ltd., An Bang Life Insurance Co., Ltd., Anbang Annuity Insurance Co., Ltd, Union Life Insurance Co., Ltd., Greatwall Life Insurance Co., Ltd., ABC Life Insurance Co., Ltd., Kunlun Health Insurance Co., Ltd., Hexie Health Insurance Co., Ltd., June Life Insurance Co., Ltd., Huaxia Life Insurance Co., Ltd., Sinatay Life Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Guohua Life Insurance Co., Ltd., Happy Life Insurance Co., Ltd., Aeon Life Insurance Co., Ltd., China Post Life Insurance Co., Ltd., Zhongrong Life Insurance Co., Ltd., Lian Life Insurance Co., Ltd., Sino-Conflux Insurance Company, Qian Hai Life Insurance Co., Ltd., Soochow Life Insurance Co., Ltd., Hongkang Life Insurance Co., Ltd., Pearl River Life Insurance Co., Ltd., Jixiang Life Insurance Company Limited, Bohai Life Insurance Corporation Limited, Guolian Insurance Co., Ltd, Shanghai Life Insurance Company Limited, Manulife-Sinochem Life Insurance Co., Ltd., CCB Life Insurance Company Limited, Allianz China Life Insurance Co., Ltd., ICBC-AXA Assurance Co., Ltd., BoComm Life Insurance Co., Ltd., Citic-Prudential Life Insurance Co., Ltd., Generali China Life Insurance Co., Ltd., Sun Life Everbright Life Insurance Co., Ltd., ING-BOB Life Insurance Co., Ltd., Founder Meiji Yasuda Life Insurance Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., Aegon THTF Life Insurance Co., Ltd., CIGNA

CMB Life Insurance Co., Ltd., Greatwall Changsheng Life Insurance Co., Ltd, Heng An Standard Life Insurance Co., Ltd., Skandia-BSM Life Insurance Co., Ltd., Sino-US United MetLife Insurance Company Ltd., Cathay Lujiazui Life Insurance Co., Ltd., BOC Samsung Life Insurance Co., Ltd., Sino-French Life Insurance Co., Ltd., Evergrand Life Assurance Co., Ltd., King Dragon Life Insurance Co., Ltd., HSBC Life Insurance Co., Ltd., Shin Kong HNA Life Insurance Co., Ltd., Pramerica Fosun Life Insurance Co., Ltd., Sino-Korea Life Insurance Co., Ltd., ERGO China Life Insurance Co., Ltd. and American International Assurance Co., Ltd. (China).

Source: China Insurance Yearbook 2017

We face competition not only from domestic life insurance companies, but also from non-life insurance companies and foreign-invested life insurers. There were 75 licensed life insurers as of December 31, 2015, 77 as of December 31, 2016 and 85 as of December 31, 2017. 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 China s commitment to accelerate the opening of its insurance sector to foreign investors, including the relaxation on market access requirements applicable to foreign-invested insurance companies and foreign ownership limits in its insurance sector, will further increase competition in China s life insurance market.

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

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

Business Management

Customer Support Management

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

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

Customer service units

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

Contact centers

Our contact centers allow customers to make product and service inquiries, file suggestions and complaints, report claims and losses, make appointments and apply for conservations. Our contact centers also allow the customers to access self-services through a smart voice navigation system and an interactive voice response system. They also provide call-back, greeting message and reminder call services to customers. With our dedicated, nationwide inquiry line, 95519 , our customers can reach us on a 24 hours/7 days basis.

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We believe our contact centers have become popular with our customers because of the quality of services we provide. We received the awards of China s Best Customer Contact Center of Year 2016-2017 , Best Customer Contact Center for Management Innovation , Best Customer Contact Center for Service Experience and China s Best Customer Contact Center for Smart Service Application from the Customer Relationship Management Committee of the China Federation of IT Promotion and Customer Contact Center Committee. We also received the Best Call Centers in the World award from the International Customer Management Institute in 2007, 2011 and 2015, respectively, and have obtained the authentication of Chinese national contact 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 contact centers.

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

Cell phone message services

We send messages to convey such information as renewal payment reminders, premium payment notices and premium payment confirmations.

Internet-based services

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

We have developed the Chine Life E Bao application, which can be used on both computers and cell phones. China Life E Bao offers 63 services, including customizing products, receiving policies, obtaining policy loans, reporting claims, consulting doctors by phone, checking on protections and checking dividends. As of December 31, 2017, the number of registered users of China Life E Bao had exceeded 37.9 million. During 2017, 57% of policy loans, 86% of the receipt of policies, and 50% of customer reviews for all new polices were handled through China Life E Bao.

Supplementary services

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

We have further promoted the global VIP care services, and improved the services including the international travel and medical emergency services, domestic medical emergency services, 12-hour health consultation hotlines and global VIP benefits. We also provide rescue platforms for approximately 70 million long-term customers. China Life global VIP care services are widely recognized by customers and sales personnel.

We have successfully held Hand-in-Hand customer service activities for 11 consecutive years. In 2017, our customer service activities included nearly 20,000 online and on-site activities with the themes of health, sports, and parent-child activities. We have always been concerned with the growth and development of children and adolescents and have held national painting activities for children and adolescents for seven consecutive years. On June 16, 2017, we held the China Life Customer Festival in order to promote the application of intelligent services and upgrade our customer experience. These activities have helped to maintain a good interaction with customers and to satisfy the demands of customers for multi-layered and personalized services.

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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 risk portfolio 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 qualifications.

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

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

We primarily offer products denominated in Renminbi.

Claims Management

We manage the claims from policyholders through our claims verification staff at our headquarters and branch offices. Typically, upon receiving a claim, a staff person will verify preliminarily if all materials supporting the claim have been submitted; if so, the claim and its materials will be forwarded to the claim settlement 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 insured will be calculated, and the claim will be paid upon completion of approval procedure.

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

Reinsurance

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

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

In June 2017, we renewed our catastrophe reinsurance in order to reduce our catastrophe exposure.

These reinsurance agreements spread the risk and reduce the effect on us of potential losses. Under the terms of the reinsurance agreements, the reinsurer agrees to assume liabilities for the ceded business 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.

Investments

As of December 31, 2017, we had RMB 2,591,652 million (US$ 398,330 million) of investment assets. As provided by China s insurance laws and regulations, we may invest insurance premiums and other insurance funds in five categories of investment assets, including liquidity assets, fixed income assets, equity assets, real properties and other financial assets, all as defined by the CIRC and subject to various limitations. Each category of investment assets is also divided into domestic assets and overseas assets. See Regulatory and Related Matters Insurance Company Regulation Regulation of investments . As of December 31, 2017, we have invested our insurance premiums and other insurance funds in term deposits, debt securities, loans, securities investment funds, stocks, resale agreements, investment properties**,** equity interests of non-listed enterprises and related financial products.

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

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

AMC, the asset management company that we established with CLIC, manages a substantial part of our Renminbi investments following the restructuring and, separately, substantially all of the investments retained by CLIC. See Asset Management Business . IHC, a wholly owned subsidiary of CLIC, also manages our investments in unlisted equity interests, real estate and related financial products and securitization financial products. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with IHC . As of December 31, 2017, we had also engaged 28 domestic investment managers to manage RMB 94,685 million (US$ 14,553 million) for investment in Chinese open markets and 13 investment managers to manage US$ 1,600 million for investment in overseas open markets.

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The following table summarizes information concerning our investment assets as of December 31, 2015, 2016 and 2017.

	As of December 31,					
	2015		2016		2017	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(RMB in millions, except as otherwise indicated)					
Cash and cash equivalents	76,096	3.3%	67,046	2.7%	48,586	1.9%
Term deposits	562,622	24.6%	538,325	21.9%	449,400	17.3%
Statutory deposits restricted	6,333	0.3%	6,333	0.3%	6,333	0.2%
Debt securities, held-to-maturity	504,075	22.0%	594,730	24.2%	717,037	27.7%
Debt securities, available-for-sale	401,899	17.6%	399,758	16.3%	455,124	17.6%
Debt securities, securities at fair value through profit or loss	94,984	4.2%	154,406	6.3%	82,891	3.2%
Debt securities	1,000,958	43.8%	1,148,894	46.8%	1,255,052	48.5%
Loans	207,267	9.0%	226,573	9.3%	383,504	14.8%
Equity securities, available for sale	368,617	16.1%	366,665	14.9%	355,610	13.7%
Equity securities, securities at fair value through profit or loss	43,006	1.9%	54,718	2.2%	53,918	2.1%
Equity securities	411,623	18.0%	421,383	17.2%	409,528	15.8%
Resale agreements	21,503	0.9%	43,538	1.8%	36,185	1.4%
Investment properties	1,237	0.1%	1,191	0.0%	3,064	0.1%
Total investment assets	**2,287,639**	**100%**	**2,453,283**	**100.0%**	**2,591,652**	**100.0%**
Average investment assets balance	2,194,255		2,370,461		2,522,468	

Risk management

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

- interest rate risk, relating to the market price and cash flow variability associated with changes in interest rates;
- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

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

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

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

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

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

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

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

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

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

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

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

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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, 2017, 2016 and 2015 were 5.16%, 4.61% and 6.47%, respectively. Beginning in 2017, the formula to calculate our investment yield has been revised to consider the impact of repurchase transactions on our investment yield, and therefore investment yields for the fiscal years ended December 31, 2016 and December 31, 2015 have also been revised to conform to the revised formula.

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

	As of or for the years ended December 31,					
	2015		2016		2017	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
	(RMB in millions, except as otherwise indicated)					
Cash, cash equivalents, statutory deposits and term deposits:						
Investment income	4.7%	32,285	4.4%	27,851	4.3%	23,827
Ending assets: cash and cash equivalents		76,096		67,046		48,586
Ending assets: statutory deposits restricted		6,333		6,333		6,333
Ending assets: term deposits		562,622		538,325		449,400
Ending assets		645,051		611,704		504,319
Debt securities:						
Investment income		44,449		48,036		53,895
Net realized gains on financial assets		(4)		46		(123)
Net fair value gains through profit or loss		766		(918)		(1,542)
Total	4.7%	45,211	4.4%	47,164	4.3%	52,230
Ending assets		1,000,958		1,148,894		1,255,052
Loans:						
Investment income	5.9%	11,115	5.5%	12,018	5.4%	16,320
Ending assets		207,267		226,573		383,504
Equity securities:						
Investment income		9,276		20,271		27,939
Net realized gains on financial assets		32,301		5,992		165
Net fair value gains through profit or loss		9,324		(6,319)		8,179
Total	15.7%	50,901	4.8%	19,944	8.7%	36,283
Ending assets		411,623		421,383		409,528
Resale agreements:						
Investment income	2.2%	368	3.0%	971	1.9%	746
Ending assets		21,503		43,538		36,185
Investments properties:						

Investment income	5.7%	72	4.9%	60	3.2%	69
Ending assets		1,237		1,191		3,064
Securities sold under agreements to repurchase:						
Interest expense	(2.0%)	(784)	(2.6%)	(1,460)	(3.7%)	(3,144)
Ending liabilities		31,354		81,088		87,309
Total investments:						
Investment income		97,582		109,147		122,727
Net realized gains on financial assets		32,297		6,038		42
Net fair value gains through profit or loss		10,209		(7,094)		6,183

	As of or for the years ended December 31,					
	2015		2016		2017	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
Income of Investments properties		72		60		69
Interest expense of securities sold under agreements to repurchase		(784)		(1,460)		(3,144)
Total	6.47%	139,376	4.61%	106,691	5.16%	125,877
Ending assets excluding securities sold under agreements to repurchase		2,256,285		2,372,195		2,504,343

(1) Yields for 2017, 2016 and 2015 are calculated by dividing the total investment income for that year by the average of the ending balances of that year and the previous year.

Term deposits

Term deposits consist principally of term deposits with Chinese commercial banking institutions and represented 17.3% of our total investment assets as of December 31, 2017, 21.9% of our total investment assets as of December 31, 2016 and 24.6% of our total investment assets as of December 31, 2015.

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

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

	As of December 31,		
	2015 Amortized cost	2016 Amortized cost	2017 Amortized cost
	(RMB in millions)		
Due in one year or less	181,780	185,835	97,076
Due after one year and through five years	380,842	344,790	349,524
Due after five years and through ten years		7,700	2,800
Total term deposits	**562,622**	**538,325**	**449,400**

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

	As of December 31,		
	2015 Amortized cost	2016 Amortized cost	2017 Amortized cost

		(RMB in millions)	
Industrial & Commercial Bank of China	21,341	21,210	10,819
Agriculture Bank of China	133,409	110,242	50,819
Bank of China	118,931	70,792	43,625
China Construction Bank	24,212	42,750	26,070
Bank of Communications	100,432	121,142	132,922
Other banks	164,297	172,189	185,145
Total term deposits	**562,622**	**538,325**	**449,400**

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Debt securities

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

- Chinese government bonds;
- government agency bonds (including local government bonds issued and repaid by the MOF as agent, central bank notes, financial bonds issued by state-owned policy banks of the Chinese government, and RMB-denominated bonds issued by international development institutions);
- corporate bonds (including financial bonds issued by commercial banks, corporate bonds, convertible corporate bonds, short-term financing bonds and medium-term notes); and
- subordinated bonds and debt (including subordinated bonds issued by state-owned policy banks of the Chinese government, subordinated bonds issued by commercial banks, subordinated debt with fixed terms issued by commercial banks and subordinated debt with fixed terms issued by insurance companies).

Debt securities represented 48.5% of our total investment assets as of December 31, 2017, 46.8% of our total investment assets as of December 31, 2016 and 43.8% of our total investment assets as of December 31, 2015.

Based on estimated fair value, Chinese government bonds, Chinese government agency bonds, corporate bonds, subordinated bonds and debt and other debt securities comprised 5.4%, 34.7%, 43.3%, 3.0% and 13.6% of our total available for-sale debt securities as of December 31, 2017, 5.4%, 36.6%, 47.1%, 4.2% and 6.7% of our total available-for-sale debt securities as of December 31, 2016 and 6.4%, 36.2%, 51.4%, 4.8% and 1.2% of our total available-for-sale debt securities as of December 31, 2015. Except for a small number of debt securities, which collectively had a carrying value of RMB 45,352 million (US$ 6,970 million) as of December 31, 2017, most of our debt securities are traded on security exchanges or in the unlisted interbank market in China.

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

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

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

	As of December 31,	
2015	2016	2017

	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimated fair value	% of total
							(RMB in millions)					
Debt securities, available-for-sale:												
Government bonds	23,750	2.5%	25,713	2.5%	20,173	1.8%	21,653	1.8%	24,818	2.0%	24,632	2.0%

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	As of December 31,										
	2015				2016				2017		
	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimated fair value	% of total	Amortized cost	% of total	Estimate fair valu
	(RMB in millions)										
	134,021	13.9%	145,399	13.9%	140,444	12.4%	146,310	12.5%	164,331	13.0%	157,76
ds	196,408	20.4%	206,767	19.7%	183,408	16.1%	188,337	16.1%	199,613	15.7%	197,13
	17,771	1.9%	19,298	1.8%	15,948	1.4%	16,708	1.4%	13,588	1.1%	13,49
	4,723	0.5%	4,722	0.5%	26,773	2.3%	26,750	2.3%	62,651	4.9%	62,09
sale	**376,673**	**39.2%**	**401,899**	**38.4%**	**386,746**	**34.0%**	**399,758**	**34.1%**	**465,001**	**36.7%**	**455,12**
es, ity:											
onds	79,438	8.3%	87,340	8.3%	97,196	8.6%	102,595	8.7%	125,866	9.9%	123,71
	126,097	13.1%	136,927	13.1%	169,001	14.9%	173,036	14.7%	241,808	19.1%	223,31
ds	146,405	15.2%	159,223	15.2%	178,444	15.7%	184,461	15.7%	200,869	15.9%	196,53
	152,135	15.8%	167,354	16.0%	150,089	13.2%	159,060	13.6%	148,494	11.7%	149,42
d to	**504,075**	**52.4%**	**550,844**	**52.6%**	**594,730**	**52.4%**	**619,152**	**52.7%**	**717,037**	**56.6%**	**692,98**
es, air n											
onds	401	0.0%	603	0.1%	381	0.0%	380	0.0%	2,139	0.2%	2,08
	5,262	0.6%	5,689	0.5%	6,800	0.6%	6,762	0.6%	9,463	0.7%	9,08
ds	74,359	7.8%	88,291	8.4%	144,596	12.7%	144,131	12.3%	68,401	5.4%	66,91
	394	0.0%	401	0.0%	3,133	0.3%	3,133	0.3%	4,819	0.4%	4,81
air n	**80,416**	**8.4%**	**94,984**	**9.0%**	**154,910**	**13.6%**	**154,406**	**13.2%**	**84,822**	**6.7%**	**82,89**
	961,164	**100.0%**	**1,047,727**	**100.0%**	**1,136,386**	**100.0%**	**1,173,316**	**100.0%**	**1,266,860**	**100.0%**	**1,230,99**

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

	As of December 31,					
	2015		2016		2017	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
			(RMB in millions)			
Due in one year or less	34,378	34,628	63,665	64,119	64,919	64,884
Due after one year and through five years	216,313	226,112	213,167	218,608	268,090	265,832
Due after five years and through ten years	271,887	294,941	341,479	355,984	460,372	452,122
Due after ten years	358,170	397,062	363,165	380,199	388,657	365,270
Total debt securities, excluding those at fair value through profit or loss	**880,748**	**952,743**	**981,476**	**1,018,910**	**1,182,038**	**1,148,108**

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

Loans

We offer interest-bearing policy loans to our policyholders, who may borrow from us in amounts up to the total cash values of their policies. In general, the loans are secured by the policyholders rights under the policies. As of December 31, 2017, the total amount of our policy loans was RMB 107,957 million (US$ 16,593 million), and represented 4.17% of our total investment assets as of that date.

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In addition to policy loans, our other loans mainly consist of our investment in debt investment plans and trust schemes. As of and for the year ended December 31, 2015, the total amount of our investment in debt investment plans was RMB 65,118 million, and we had total investment proceeds from such plans of approximately RMB 3,572 million. As of and for the year ended December 31, 2016, the total amount of our investment in debt investment plans was RMB 63,028 million, and we had total investment proceeds from such plans of approximately RMB 3,532 million. As of and for the year ended December 31, 2017, the total amount of our investment in debt investment plans was RMB 73,668 million (US$ 11,323 million), and we had total investment proceeds from such plans of approximately RMB 3,605 million (US$ 554 million). As of and for the year ended December 31, 2015, the total amount of our investment in trust schemes was RMB 45,460 million, and we had total investment proceeds from such schemes of approximately RMB 2,692 million. As of and for the year ended December 31, 2016, the total amount of our investment in trust schemes was RMB 47,864 million, and we had total investment proceeds from such schemes of approximately RMB 3,066 million. As of and for the year ended December 31, 2017, the total amount of our investment in trust schemes was RMB 163,764 million (US$ 25,170 million), and we had total investment proceeds from such schemes of approximately RMB 6,343 million (US$ 975 million).

Securities investment funds

Securities investment funds consist of Chinese domestic investment funds and overseas investment funds that primarily invest in securities. As of December 31, 2017, our investment in securities investment funds was RMB 101,236 million (US$ 15,560 million) and represented 3.91% of our total investment assets as of that date. Our investment in securities investment funds mainly consists of investment in Chinese domestic investment funds.

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

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

	As of December 31,					
	2015		2016		2017	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(RMB in millions, except as otherwise indicated)					
Open-end	167,900	99.1%	117,027	97.5%	99,012	97.8%
Closed-end	1,585	0.9%	2,946	2.5%	2,224	2.2%
Total	**169,485**	**100.0%**	**119,973**	**100.0%**	**101,236**	**100.0%**

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, 2017, the total amount of our investment in common stocks was RMB 173,450 million (US$ 26,659 million), and represented 6.7% of our total investment assets as of that date. As of December 31, 2016, the total amount of our investment in common stocks was RMB 140,166 million, and represented 5.7% of our total investment assets as of that date. As of December 31, 2015, the total amount of our investment in common stocks was RMB 111,516 million, and represented 4.9% of our total investment assets as of that date.

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Resale agreements

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

The securities purchased under agreements to resell were RMB 36,185 million (US$ 5,562 million) as of December 31, 2017, RMB 43,538 million as of December 31, 2016 and RMB 21,503 million as of December 31, 2015.

Equity interests in non-listed enterprises and related financial products

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

We started to make investments in equity interests in non-listed enterprises in 2006. In November 2017, we entrusted IHC to invest in Ningbo Meishan Bonded Port Area Baishan Investment Management Partnership, or Baidu Fund Partnership. The total capital commitment in the Baidu Fund Partnership is RMB 7.011 billion, of which RMB 5.6 billion was subscribed by us and RMB 1.4 billion was subscribed by Ningbo Meishan Bonded Port Area Baidu Zhixin Asset Management Company, each as a limited partner. The Baidu Fund Partnership will primarily make middle-late-stage investments in the private equity deals in the Internet sector, including Internet, mobile Internet, artificial intelligence, Internet finance, consumption upgrade, and Internet+. As of the end of 2017, RMB 1.68 billion of our investment commitment had been paid by us.

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

	As of December 31,		
	2015 Carrying value	2016 Carrying value	2017 Carrying value
	(RMB in millions, except as otherwise indicated)		
China Life Property and Casualty Insurance Company Limited	7,812	7,929	8,185
China Guangfa Bank Co., Ltd.	22,553	50,299	53,459
Sinopec Sales Co., Ltd.	10,055	10,522	10,172
Sinopec Sichuan to East China Gas Pipeline Co., Ltd.		20,000	21,347
Ningbo Meishan Bonded Port Area Baishan Investment Management Partnership			1,680

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Asset Management Business

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

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

As of and for the year ended December 31, 2017, AMC had total assets of RMB 9,237 million (US$ 1,420 million), net assets of RMB 8,339 million (US$ 1,282 million) and net profit of RMB 1,126 million (US$ 173 million).

Property and Casualty Business

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

As of and for the year ended December 31, 2017, CLPCIC had total assets of RMB 79,601 million (US$ 12,234 million), net assets of RMB 20,463 million (US$ 3,145 million) and net profit of RMB 820 million (US$ 126 million).

Pension Insurance Business

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

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

As of and for the year ended December 31, 2017, China Life Pension had total assets of RMB 3,922 million (US$ 603 million), net assets of RMB 3,086 million (US$ 474 million) and net profit of RMB 14 million (US$ 2 million).

Information Technology

Our computer systems provide support for many aspects of our businesses, including product development, sales and marketing, business management, cost control and risk control. We have approximately 2,000 experienced engineers, technicians and specialists providing professional and flexible support for our business operations in various aspects, including the design, research and development and operation of our computer systems.

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In 2017, we continued to develop a new generation comprehensive business management system and took the following steps:

- we adopted an advanced three-tier cloud architecture, and believe we are among the first in the domestic financial industry to implement a hierarchical cloud computing practice to support the needs of business transformation and development;

- we built a mobile-connected, secure and reliable network which provides convenient and fast services to customers, sales support personnel, employees and business partners;

- we introduced technologies such as mobile connect, big data and artificial intelligence to make traditional businesses available online, support paperless purchase of insurances throughout the entire process and facilitate seamless integration among different sales and service channels; and

- we built intelligent platforms such as smart voice, face recognition and deep learning, which support our intelligent services and operations and enhance customer experience.

We also continue to attach importance to financial data security and have implemented projects including separation of internal and external network, cloud desktops, providing different levels of protection fitting to the various application systems, intelligent security monitoring and supervision platforms and anti-intrusion system. We have built a security protection system to cover assessment, protection, detection, response, recovery and other aspects of data protection. We have a visualization system to provide real-time monitoring on cyber attacks. We also have internal rules on the procedures for reporting and handling material accidents, including cybersecurity incidents, occuring during business operations.

Trademarks

We conduct our business under the China Life brand name (in English and Chinese), the ball logos, the C mark 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 the China Life brand name, the ball logos and the C mark. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Continuing Related Party Transactions with CLIC .

Disclosure of Certain Activities Under Section 13(r) of the Securities Exchange Act of 1934

Under Section 13(r) of the Exchange Act, which was added by the Iran Threat Reduction and Syrian Human Rights Act of 2012, we are required to disclose in our annual report filed with the SEC if we or any of our affiliates knowingly engaged in certain Iran-related activities, including transactions or dealings with the Government of Iran or relating to Iran during the period covered by the annual report, no matter whether these activities are material or not. Disclosure is required even when the activities were conducted outside of the U.S. by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

In June 2017, CLPCIC, a casualty and property insurance company in which we own 40% interest, provided marine hull insurance for a fleet of vessels managed by the National Iranian Tanker Company (NITC) as a co-insurer for the period from July 1, 2017 to June 30, 2018, and the lead insurer is Assuranceforeningen Skuld. These transactions were entered into in compliance with laws and regulations applicable to CLPCIC. We understand that NITC is affiliated with the Government of Iran and it is on the List of Persons Identified as Blocked Solely Pursuant to Executive Order 13599. The total premiums that CLPCIC received from these transactions are approximately RMB 530,000 (US$ 81,460). We are unable to determine the net profits from these transactions prior to the expiration of the insurance coverage.

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CLPCIC does not intend to continue providing insurance coverage to NITC upon the expiration of the insurance coverage.

Regulatory and Related Matters

Overview

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

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

The CIRC was established in 1998. It has extensive supervisory authority over the PRC insurance industry, including: (1) promulgation of regulations applicable to the insurance industry; (2) approval for establishment of insurance companies and their subsidiaries; (3) review of qualifications of senior management of insurance companies; (4) supervision of insurance companies and their solvency and market activities; (5) establishment of investment regulations; (6) approving the policy terms and premium rates for certain insurance products; (7) setting standards for measuring the financial soundness of insurance companies; (8) requiring insurance companies to submit reports concerning their business operations and condition of assets; and (9) 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.

In March 2018, the National People s Congress of the PRC approved the merger of China s long-existing regulatory commissions of banking and insurance into a new administration called the China Banking and Insurance Regulatory Commission, or CBIRC. On April 8, 2018, the official sign of CBIRC was unveiled at what was previously the site of CBRC, which we understand marked the merger of CIRC and CBRC. The official website of CBIRC was formally launched on the same day. Guo Shuqing, formerly the head of CBRC, has been appointed as the chairman of CBIRC. The CIRC and the CBRC no longer exist after the completion of the merger. Some of their authorities, including drafting certain regulations to govern the insurance and banking industries, have been ceded to PBOC, China s central bank. As of the date of this annual report, the regulations, rules and guidance previously issued by the CIRC still remain effective. This merger is intended to improve the efficiency and coordination of Chinese financial regulation.

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Insurance Company Regulation

Licensing requirements

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

The CBIRC (formerly 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 CBIRC (formerly CIRC), as well as reinsurance relating to any of the foregoing.

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

Minimum capital requirements

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

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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 CBIRC (formerly CIRC). A filing with the CBIRC (formerly 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. Equity interests held by a single shareholder, including its related parties and persons acting in concert, must not exceed one-third of the registered capital of a single insurance company. An exception to the one-third cap applies to insurance companies establishing or investing in other insurance companies for the purposes of innovation and specialization of their business, or consolidating their operations under a single group management. Equity interests held by a single domestic limited partnership must not exceed 5% of the registered capital of a single insurance company. The combined equity interests held by several domestic limited partnerships must not exceed 15% of the registered capital 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.

On November 10, 2017, China announced that it will substantially relax foreign ownership limits in life insurance companies. On April 11, 2018, the Governor of the PBOC further clarified that regulations would be introduced within the next several months increasing the limit on foreign ownership in Chinese life insurance companies to 51% from the current 50%, and all foreign ownership restrictions in the Chinese life insurance sector will be removed in three years. Detailed implementation rules have not yet been issued.

Fundamental changes

Prior approval must be obtained from the CBIRC (formerly CIRC) before specified fundamental changes relating to a Chinese insurance company may occur. These include: a change of company name, registered capital or address of executive offices of companies or their subsidiaries; 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 change in shareholding of 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 CBIRC (formerly CIRC).

Regulation of products

Regulation of ordinary personal insurance products. An ordinary personal insurance product is one whose insurance premiums and policy benefits are definite upon issuance of the insurance policy. Beginning from August 5, 2013, the CIRC removed the original 2.50% cap on the guaranteed interest rates of ordinary personal insurance products, and such guaranteed interest rates can be decided by insurance companies at their discretion in accordance with the principle of prudence. Meanwhile, the statutory valuation rates of ordinary personal insurance policies issued on and after August 5, 2013 have been increased from 2.50% to 3.50%. In addition, beginning from August 5, 2013, if the guaranteed interest rate of an ordinary personal insurance product developed by an insurance company is not higher than the maximum valuation rate set by the CIRC which varies depending on product, the insurance company must file the relevant information of the product with the CBIRC (formerly CIRC). If such rate is higher than the maximum valuation rate set by the CIRC, the insurance company is required to obtain the approval of the CBRIC (formerly CIRC) on the product in advance, and during the approval process, the insurance company is not allowed to submit new insurance clauses and premium rates to the CBIRC (formerly CIRC) for approval. On September 2, 2016, the CIRC further required that policy loans provided by an insurer may not exceed 80% of the cash value or account value of the policy. From October 1, 2017, the first payment of survival insurance benefits for the ordinary endowment products and annuity products must occur only after five years since the policy becomes effective and the annual payment or partial payment must not exceed 20% of the paid premiums.

Regulation of participating products. A participating product is one which the policyholder or annuitant is entitled to share in the distributable earnings of the insurer through policy dividends . The participation dividend may be in the form of a cash payment or an increase in the insured amount. At least 70% of the distributable earnings is required to be distributed as dividends. In September 2015, the CIRC removed the original 2.50% cap on the guaranteed interest rate of participating products. From October 1, 2015, the guaranteed interest rate is to be decided by insurance companies at their discretion in accordance with the principle of prudence. If the guaranteed interest rate of a participating product developed by an insurance company is not higher than 3.50%, the insurance company must file the specific information of such product with the CBIRC (formerly CIRC) for record. If such rate is higher than 3.50%, the insurance company is required to obtain the approval of the CBIRC (formerly CIRC) for the product. In addition, the valuation rate of unearned premium reserves of participating products equals to either the guaranteed interest rate or 3.00%, whichever is lower. Beginning from September 2, 2016, if the guaranteed interest rate of a life insurance product newly developed by an insurance company is lower than the maximum valuation rate set by the CIRC, which is 3.00% for participating products, the insurance company is only required to file specified information relating to the product with the CBIRC (formerly CIRC), and if such rates are higher than 3.00%, the insurance company is required to obtain the = approval of the CBIRC (formerly CIRC) for such products. From October 1, 2017, the first payment of survival insurance benefits for the participating endowment products and annuity products must occur only after five years since the policy becomes effective and the annual payment or partial payment must not exceed 20% of the paid premiums.

Regulation of universal products. A universal product is one which offers the typical protection of life insurance with investment accounts providing a minimum yield. The premium payments and coverage of universal products are flexible, usually with a minimum guaranteed interest rate, and the investment yields are settled periodically. Beginning from February 16, 2015, the CIRC removed the original 2.50% cap on the minimum guaranteed interest rate of universal products, with the guaranteed interest rate to be decided by insurance companies at their discretion in accordance with the principle of prudence. Meanwhile, the maximum valuation rate of a universal product has been increased from a compound annual rate of 2.50% to a compound annual rate of 3.50%. Beginning from September 2, 2016, the CIRC changed the maximum valuation rate of a universal product from a compound annual rate of 3.50% to a compound annual rate of 3.00%. If the minimum guaranteed interest rate of a universal product developed by an insurance company is not higher than the maximum valuation rate set by the CIRC (i.e. a compound annual rate of 3.00%), the insurance company must file specified information relating to the product with the CBIRC (formerly CIRC). If such rate is higher than the maximum valuation rate set by the CIRC, the insurance company is required to obtain the approval of the CBIRC (formerly CIRC) for the product. Any amendment to the insurance clauses, premium rates, insurance liabilities, types of insurance or pricing methods of universal products must be filed with or approved by the CIRC. From October 1, 2017, universal products must be designed to allow the flexibility to pay additional premiums from time to time and to adjust the insured amount. Insurance companies may not design the universal products in the form of riders.

Regulation of investment-linked products. An investment-linked product is one which insures the policyholder or annuitant against one or more separate risks and at the same time gives the policyholder or annuitant an interest in one or more separate investment accounts. Insurance companies must complete the establishment of investment accounts before submitting the required information regarding their investment-linked products to the CBIRC (formerly CIRC) for approval or filing. Insurance companies must report on the establishment, change, consolidation, division, close or settlement of the investment accounts to the CBIRC (formerly CIRC) within 10 business days after occurrence of these events. Transactions between a separate investment account and any other account of the insurance company, other than a transfer of cash to establish the investment account, are prohibited. From October 1, 2017, investment-linked products must be designed to allow the flexibility to pay additional premiums from time to time and to adjust the insured amount. Insurance companies may not design investment-linked products in the form of riders. Other CIRC regulations govern the sale and disclosure terms of investment-linked products.

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

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

it is expected that 60% or more of the policies of such product have a duration of less than five years.

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

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

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

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

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

Regulation of health insurance. Subject to approval by the CBIRC (formerly CIRC), life insurance companies may engage in health insurance business. Other insurance companies may, subject to approval by the CBIRC (formerly CIRC), engage in short-term health insurance business. Insurance companies engaged in health insurance business are required to submit an actuarial report or reserves assessment report for the preceding year in accordance with the relevant provisions of the CIRC. Insurance companies must also submit a pricing review report to the CBIRC (formerly CIRC) before March 15 of each year regarding the short-term health insurance products. Beginning on January 1, 2016, insurance companies may sell health insurance products eligible for preferential individual income tax policies in accordance with the CIRC s relevant requirements in 31 pilot cities, including Beijing, Shanghai, Tianjin and Chongqing. The health insurance products may be offered to taxpayers who have reached the age of 16 but have not reached the statutory retirement age. The expenses incurred by individuals in the pilot cities for purchasing such health insurance products will be deductible from their individual income tax up to RMB 2,400 per year. From October 1, 2017, the survival benefits paid before the expiry of the policy term of a care insurance product may only be paid under the condition that the care required by the insured is caused by disability in activities of daily living as agreed in the insurance contract. Survival benefits paid before the expiry of the policy term of a disability income insurance product may only be paid under the condition that the loss of working ability of the insured is caused by a disease or an accidental injury as agreed in the insurance contract. All of the medical insurance premiums collected by insurance companies from their group medical insurance products must be used for the payment of insurance benefits under the medical insurance coverage, and the interest rates of products used for pricing must satisfy relevant regulatory requirements.

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

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

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

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Regulation of investments

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

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

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

year or less, as well as other
tools or products recognized
by the CIRC in this category.

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

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Asset Category	Definition	Specific Items Included	Regulatory Percentage[1]	
			Investment Regulatory Percentage	Concentration Risk Regulatory Percentage
Equity assets	Equity assets include both listed and unlisted equity assets. Listed equity assets refer to the ownership certificate representing the equity or other residual income rights of enterprises that are publicly listed and traded on stock exchanges or financial asset markets, as well as other assets whose main value depends on the changes in the value of the aforesaid assets. Unlisted equity assets refer to the equity or other residual income rights of enterprises that are established and registered but are not publicly listed on exchanges, as well as other assets whose main value depends on the changes in the value of the aforesaid assets.	Domestic items of listed equity assets mainly include shares[6], equity funds, hybrid funds and equity insurance asset management products. Overseas items of listed equity assets mainly include ordinary shares, preferred shares, global depositary receipts, American depositary receipts and equity securities investment funds, as well as other tools or products recognized by the CIRC in this category. Domestic and overseas items of unlisted equity assets mainly include equities of unlisted companies, equity investment funds (including venture capital funds), asset backed securities, insurance private equity funds and other related financial products, as well as other tools or products recognized by the CIRC in this category.	The total book balance of investments by an insurance company in equity assets must not exceed 30%[5] of the total assets of the insurance company as at the end of the last quarter, and the book balance of significant equity investments must not be higher than the net assets of the insurance company as at the end of the last quarter. The book balance does not include the equity of any insurance enterprise as invested by the insurance	The book balance of investments by an insurance company in a single equity asset must not exceed 5%[5] of the total assets of the insurance company as at the end of the last quarter, except as otherwise provided for acquisitions of listed companies and investments in shares of listed commercial banks. The total outstanding investments by an insurance company in a single legal person must not exceed 20% of the total assets of the insurance company as at the end of the last quarter (excluding, among others, investments in domestic central government bonds, quasi-government bonds, and equity investments in insurance enterprises with proprietary funds).

company
with its
proprietary
funds.

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

of the net
assets of the
insurance
company as
at the end of
the last
quarter.

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

the last
quarter.

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

(6) The CIRC classifies investments in stocks into three categories: (i) ordinary stock investment, which refers to investment in less than 20% of the total share capital of a listed company without control over the company, (ii) material stock investment, which refers to investment in 20% or more of the total share capital of a listed company without control over the company, and (iii) acquisition of a listed company, which refers to becoming the controlling shareholder or actual controller of a listed company or otherwise having control over a listed company. There is no regulatory restriction for ordinary stock investment that does not involve an acquisition in the secondary market of more than 5% of the share capital of a listed company. For ordinary stock investment that involves an acquisition in the secondary market of more than 5% of the share capital of a listed company, information disclosure and reporting after the investment are required. For a material stock investment, filing with the regulatory authorities after the investment is required. For acquisition of a listed company, prior regulatory approval is required.

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

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

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

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

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

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

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

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

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

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

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

Solvency requirements

Solvency I requirements

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

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

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

- 18% of the portion of net premiums received in the most recent fiscal year net of business tax and other surcharges which is not in excess of RMB 100 million, plus 16% of the portion which is in excess of RMB 100 million; and
- 26% of the portion of the average annual claims payments during the most recent three fiscal years which is not in excess of RMB 70 million, plus 23% of the portion which is in excess of RMB 70 million.

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

- 4% of the period-end reserves for insurance risks after unbundling of mixed insurance contracts;
- 4% (if the annual premium revenue from high cash value products is not more than the base amount) or 6% (if the annual premium revenue from high cash value products is more than the base amount) of the period-end reserves for insurance contracts of high cash value products;
- 4% of the period-end reserves for other insurance contracts;
- 1% of the liabilities for other risks after unbundling of investment-linked insurance contracts and variable annuity insurance contracts;
- 4% (if the annual premium revenue from high cash value products is not more than the base amount) or 6% (if the annual premium revenue from high cash value products is more than the base amount) of the liabilities for other risks after unbundling of hybrid insurance contracts for high cash value products;
- 4% of the liabilities for other risks after unbundling of other mixed insurance contracts;
- 4% of the liabilities for insurance policies which do not pass the tests for significant insurance risks;
- 0.15% of the total sums at risk under life insurance contracts;
- 0.24% of the total sums at risk under health insurance contracts;

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

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

An insurance company with a solvency ratio below 100% could be subject to a range of regulatory actions by the CBIRC (formerly CIRC). The CBIRC (formerly 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.

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C-ROSS requirements

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

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

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

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

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

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

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

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

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

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

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

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

Quantifiable risks include the following:

- Insurance risk, which includes life insurance risk and non-life insurance risk;
- Market risk, which includes interest rate risk, equity price risk, property price risk, overseas assets price risk and foreign exchange risk; and
- Credit risk, which includes spread risk and default risk.

Unquantifiable risks include the following:

- Operation risk;
- Reputation risk;
- Strategy risk; and
- Liquidity risk.

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

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

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

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

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

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

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

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

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

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

Prior to the filing of this annual report, we became aware that, based on the latest comprehensive rating results regarding the solvency risks of insurers released by the CBIRC for the fourth quarter of 2017, we had been classified as a Category B insurer. Previously we were classified as a Category A insurer. It remains unclear whether the CBIRC will take any regulatory action with respect to our company or how these regulatory actions (if any) will affect our business or financial condition.

Our core solvency adequacy ratio as of December 31, 2017 was 277.61 %, and our comprehensive solvency adequacy ratio as of December 31, 2017 was 277.65%.

Statutory deposits

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

Statutory insurance fund

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

Statutory reinsurance

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

Actuaries

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

Regulation of corporate governance

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

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

Asset-liability management. On March 1, 2018, the CIRC issued a set of specific technical criteria and rules on the quantitative and competency assessments on insurers asset-liability management, as well as requirements on preparing and submitting asset-liability management reports. The new rules have been implemented on a pilot basis since their date of issue. Under the new rules, insurance companies must file quarterly reports on asset-liability management with the CBIRC (formerly CIRC) within 30 days after the end of each quarter, and file annual reports on asset-liability management with the CBIRC (formerly CIRC) no later than May 31 of each year. Both the quarterly reports and the annual reports must be prepared in accordance with specified guidelines. In addition, insurance companies must complete asset-liability management competency assessments and file such assessments with the CBIRC (formerly CIRC) by August 31, 2018. During the pilot period, the CBIRC (formerly CIRC) will review the reports and assessment results submitted by the insurers but it will not take regulatory action.

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Compliance management. Insurance companies must prevent, identify, evaluate, report and manage compliance risks by taking measures such as setting up a compliance department, formulating and implementing compliance policies (which are required to be filed with the CBIRC (formerly 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 CBIRC (formerly CIRC) by April 30 each year. Each insurance company is required by the CBIRC (formerly CIRC) to appoint a compliance officer and establish a compliance management department in its head office. Starting from June 1, 2016, where the proposed compliance head of an insurance company for whom the insurance company has applied for approval of post-holding qualifications also serves in other senior management positions, the insurance company must submit a statement that the proposed compliance head will not also manage a business or financial department during his or her term of office. Beginning from July 1, 2017, the headquarter and provincial branches of an insurance company must each set up a compliance management department. Where the proposed compliance head of an insurance company for whom the insurance company has applied for approval of post-holding qualifications is to be served by a senior management person other than the general manager, the insurance company must submit a statement that the proposed compliance head will not also manage departments that may be in conflict with his or her responsibilities for compliance management, such as those for business, finance, fund use and internal audit during his or her term of office. As of the date of this annual report, we have set up a compliance management department, established compliance standards and appointed a compliance officer whose qualification has been approved by the CIRC.

Related party transactions. Insurance companies are required to establish a related party transaction control committee or designate their audit committee to be responsible for identifying related parties, managing, reviewing and approving related party transactions and controlling risks, and must update the records of related parties at least once every six months. According to applicable CIRC regulations, related party transactions between an insurance company and any of its related parties are classified as either material related party transactions or ordinary related party transactions . The term material related party transactions refers to any single transaction between an insurance company and a related party in which the trading volume accounts for 1% or more of the insurance company s net assets as of the end of the previous year or has a value of more than RMB 30 million, or transactions between an insurance company and a related party in which the accumulative trading volume within one fiscal year accounts for 5% or more of the insurance company s net assets as of the end of the previous year. The term ordinary related party transactions refers to all related party transactions other than material related party transactions . A material related party transaction is subject to approval by the insurer s board of directors (the related board resolutions must be adopted by at least two-thirds of all non-affiliated directors, except for any related party transactions between an insurance group (holding) company and its insurance subsidiaries, as well as between and among its insurance subsidiaries themselves) or shareholders, while an ordinary related party transaction is subject to review 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 CBIRC (formerly CIRC). Companies must take effective measures to prevent their shareholders, directors, supervisors, senior management and other related parties from taking advantage of their positions and acting against the interests of the company or the insured through related party transactions. In addition, an insurance company is required, within 10 business days after the conclusion of the transaction agreements (or within 10 business days from the occurrence of the relevant event if no transaction agreement is concluded), to report to the CBIRC (formerly CIRC) and make an announcement on its website and the website of the Insurance Association of China if it conducts certain related party transactions, including, among others, transactions relating to investments of insurance funds and related party transactions that involve transfers of assets or interests above a specified amount. In respect of any information that could not be publicly disclosed as it involves state secrets or due to other reasons, the insurance company must, at least five business days prior to the prescribed date of information disclosure, report this fact to the CBIRC (formerly CIRC) and refrain from disclosing such information as required by law.

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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 CBIRC (formerly CIRC). An internal audit report must be submitted to the CBIRC (formerly CIRC) by April 30 of each year and any major risk identified during the internal audit process must be reported to the CBIRC (formerly CIRC) in a timely manner.

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

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

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

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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 CBIRC (formerly CIRC) for approval.

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

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

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

Regulation of issuance of subordinated debt

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

Beginning in May 2012, publicly listed insurance companies that meet a series of qualification tests and are approved by the CBIRC (formerly CIRC) may issue subordinated convertible bonds. Subordinated convertible bonds refer to bonds issued by an insurance company in accordance with statutory procedures that satisfy the following conditions: the bonds have a maturity of five