GREIF INC
Form 4
January 23, 2017

FORM 4

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LUFFLER CHRISTOPHER E

(Last) (First) (Middle)

425 WNTER ROAD

(Street)

DELAWARE, OH 43015

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GREIF INC [GEF,GEF.B]

3. Date of Earliest Transaction (Month/Day/Year)
01/20/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, Business Mgr. Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	01/20/2017		A		140	A	$ 0 (1)	316	D	
Class A Common Stock								1,134.77	I	By 401(k) Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LUFFLER CHRISTOPHER E 425 WNTER ROAD DELAWARE, OH 43015			VP, Business Mgr. Controller	

Signatures

Christopher E. Luffler by L. Dennis Hoffman pursuant to a POA filed with the Commission	01/23/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares awarded pursuant to the Company's Long Term Incentive Plan. No consideration was paid by the reporting person. Shares are subject to a one year restriction on transfer.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. trolled company). Because more than 60% of our voting power is controlled by CLIC, we, as with controlled U.S. domestic companies, would not be required to comply with this independent board requirement. As of the date of this annual report, our board of directors comprised ten directors, including three executive directors, three non-executive directors and four independent non-executive directors.

Section 303A.03 of the NYSE Listed Company Manual requires a U.S. domestic company to have its non-management directors meet at regularly scheduled executive sessions without management and hold an executive session including only independent directors at least once a year, or hold regular executive sessions of independent directors. Under the HKSE corporate governance rules effective since April 1, 2012, the chairman of our board of directors is required to have a meeting with non-executive directors (including independent non-executive directors) only without the executive directors present at least once a year. In August 2018, the then chairman of our board convened a meeting of non-executive directors (including independent non-executive directors) to discuss the development strategy, corporate governance and operational management of the Company. Pursuant to further amendments to the HKSE corporate governance rules, from January 1, 2019, the chairman of our board of directors is required to have a meeting with independent non-executive directors only without the other directors present at least once a year.

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Nominating/Corporate Governance Committee and Compensation Committee

Under Section 303A.04 of the NYSE Listed Company Manual, a U.S. domestic company must have a nominating/corporate governance committee composed entirely of independent directors with a written charter that addresses certain specified responsibilities, unless it is a controlled company . Section 303A.05 of the NYSE Listed Company Manual requires a U.S. domestic company to have a compensation committee composed entirely of independent directors with a written charter that addresses certain specified duties, unless it is a controlled company . We, as with controlled U.S. domestic companies, are not required under NYSE rules to have such a nominating/corporate governance committee or compensation committee. We have established a nominating and remuneration committee in accordance with the HKSE Listing Rules, comprised of a majority of independent non-executive directors as required under those rules. The primary duties of the nomination and remuneration committee are to review the structure and components of our board of directors, to formulate the appointment and successors to our board of directors and senior management, to review and recommend the nomination of our directors and senior officers, as well as to propose to our board of directors the remuneration policy for our directors, supervisors and senior management.

The Guiding Opinions on Regulating Governance Structure of Insurance Companies require that nominating and remuneration committees of Chinese insurance companies be comprised entirely of non-executive directors with the independent directors as the Chairmen. In 2018, our nominating and remuneration committee comprised two independent non-executive directors and one non-executive director with one of the independent non-executive directors serving as the chairman. We have complied with the composition requirements of the nomination and remuneration committee as prescribed under the Chinese Insurance Company Corporate Governance Guidelines.

Audit Committee

The NYSE rules set forth two levels of audit committee standards for U.S. domestic companies and foreign private issuers. As a foreign private issuer, we are required to comply with the audit committee requirements under Section 303A.06 of the NYSE Listed Company Manual, such as audit committee independence and certain functions and powers, but are not subject to the additional qualifications, independence, function and other requirements for U.S. domestic companies provided under Section 303A.07 of the NYSE Listed Company Manual.

We have established an audit committee in accordance with the requirements of Section 303A.06 of the NYSE Listed Company Manual, the HKSE Listing Rules and the Chinese Insurance Company Corporate Governance Guidelines. In 2018, our audit committee comprised three independent non-executive directors with one of them serving as the chairman. The primary duties of the audit committee are to review and supervise the financial reporting process, to assess the effectiveness of our risk management and internal control system, to supervise our internal audit system and its implementation and to implement and recommend the engagement or replacement of external auditors. Our audit committee is also responsible for communications between our internal and external auditors and our internal reporting system.

Corporate Governance Guidelines

Under Section 303A.09 of the NYSE Listed Company Manual, a U.S. domestic company must adopt and disclose corporate governance guidelines that address specified key subjects. We are not required by Chinese or Hong Kong laws or requirements to, and currently do not, have such corporate governance guidelines. However, we address several of the key subjects required by the NYSE Listed Company Manual to be included in the corporate governance guidelines in our articles of association, Rules of Procedures for Board of Directors, Rules of Internal Control and other internal corporate documents.

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In addition, under the HKSE Listing Rules, we are expected to comply with, but may choose to deviate from, the provisions of the Corporate Governance Code in the HKSE Listing Rules, which sets out the principles of good corporate governance for issuers. However, we are required to disclose the reasons for deviation, if any, in our interim and annual reports.

We are required by the CSRC to disclose in our annual report filed with the Shanghai Stock Exchange our actual corporate governance practice as compared with CSRC s rules on corporate governance of listed companies. Under such rules, we are required to disclose whether there is any material difference between our actual practices and the requirements under such rules, and explain the details and reasons for such differences, if any. Accordingly, we have disclosed in our annual report for the year of 2018 filed with the Shanghai Stock Exchange that we had established a corporate governance structure with well-defined duties and responsibilities strictly in accordance with the PRC Company Law and PRC Securities Law as well as relevant rules and regulations, and that our actual corporate governance practices are generally in compliance with the applicable regulatory rules and requirements of the jurisdictions where we are listed.

Code of Business Conduct and Ethics

Section 303A.10 of the NYSE Listed Company Manual requires U.S. domestic companies to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. We have adopted a Code of Business Conduct and Ethics for Directors and Senior Officers and Code of Conduct for Employees. We have disclosed the Code of Business Conduct and Ethics for Directors and Senior Officers in our annual report under Form 20-F for fiscal year ended December 31, 2004 and are required to disclose in the annual report under Form 20-F any waivers of the code for directors or executive officers. In addition, according to the HKSE Listing Rules, all of our directors must comply with the Model Code for Securities Transactions by Directors of Listed Companies that sets forth the required standards with which the directors of a listed company must comply in securities transactions of the listed company. Under the Listing Rules of the Shanghai Stock Exchange, any of the directors, supervisors or senior management of the listed company may not transfer any shares of such company held by him/her within one year of the listing of the company or six months after leaving the company. During his/her tenure at the company, the number of shares transferred each year must not exceed 25% of the total number of shares of the company held by him/her, provided, however, if the directors, supervisors or senior management leave the company before the expiration of his/her tenure, during the term of his/her original tenure determined at the time of his/her appointment, the number of shares transferred each year must not exceed 25% of the total number of shares of the company held by him/her and may not transfer any shares within half a year after the expiration of the term of his/her original tenure determined at the time of his/her appointment. During his/her tenure at the company, he/she must file with the Shanghai Stock Exchange for record in advance any proposed transaction in the shares of the company in accordance with the relevant rules and regulations. In case of changes in shareholdings in the company, he/she shall report the changes on a timely basis to the company, which must then make relevant announcements on the website of the Shanghai Stock Exchange.

Certification Requirements

Under Section 303A.12(a) of the NYSE Listed Company Manual, each U.S. domestic company Chief Executive Officer must certify to the NYSE each year that he or she is not aware of any violation by the listed company of NYSE corporate governance listing standards. There are no similar requirements under PRC or Hong Kong laws or requirements.

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ITEM 16H. MINE SAFETY DISCLOSURE.

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS.

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18. FINANCIAL STATEMENTS.

See Index to Consolidated Financial Statements for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS.

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

(b) Exhibits to this annual report.

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EXHIBIT INDEX

No.	Description of Exhibit
1.1	Amended and Restated Articles of Association of the Registrant(8)
2.1	Form of H share certificate(1)
2.2	Form of Deposit Agreement, including the Form of American Depositary Receipt(2)
2.3	Amendment No. 1 to Deposit Agreement(3)
2.4	Amendment No. 2 to Deposit Agreement(4)
4.1	Restructuring Agreement(1)
4.2	Trademark License Agreement(1)
4.3	Policy Management Agreement(5)
4.4	Non-Competition Agreement(1)
4.5	Asset Management Agreement between China Life Insurance (Group) Company and China Life Asset Management Company Limited
4.6	Asset Management Agreement between China Life Insurance Company Limited and China Life Investment Holding Company Limited
4.7	Asset Management Agreement between China Life Insurance Company Limited and China Life Asset Management Company Limited
4.8	Property Leasing Agreement(5)
4.9	Entrustment and Account Management Agreement for Corporate Annuity Fund(7)
4.10	Insurance Sales Framework Agreement between China Life Insurance Company Limited and China Life Property and Casualty Insurance Company Limited (Agency Services to be Provided by China Life Insurance Company Limited)(5)
8.1	List of subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics(6)
12.1	Certification pursuant to Rule 13a-14(a)
12.2	Certification pursuant to Rule 13a-14(a)
13.1	Certification pursuant to Rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

(2)

Incorporated by reference to the Registration Statement on Form F-6 (File No. 333-164005), filed with the Commission on January 4, 2010.

(3) Incorporated by reference to the Post-Effective Amendment No. 1 to Form F-6 (File No. 333-164005), filed with the Commission on January 27, 2015.

(4) Incorporated by reference to the Post-Effective Amendment No. 2 to Form F-6 (File No. 333-164005), filed with the Commission on May 1, 2015.

(5) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed with the Commission on April 25, 2018.

(6) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed with the Commission on May 27, 2005.

(7) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed with the Commission on April 24, 2015.

(8) Incorporated by reference to the Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed with the Commission on April 21, 2017.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

China Life Insurance Company Limited

By: /s/ Su Hengxuan
Name: Su Hengxuan
Title: President and Executive Director

Date: April 24, 2019

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CHINA LIFE INSURANCE COMPANY LIMITED

(Incorporated in the People s Republic of China with limited liability)

Audited Consolidated Financial Statements

For the year ended 31 December 2018

China Life Insurance Company Limited

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of China Life Insurance Company Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of China Life Insurance Company Limited (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 24, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company s auditor since 2013.

Beijing, People s Republic of China

April 24, 2019

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of China Life Insurance Company Limited

Opinion on Internal Control over Financial Reporting

We have audited China Life Insurance Company Limited s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, China Life Insurance Company Limited (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes, and our report dated April 24, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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Report of Independent Registered Public Accounting Firm (continued)

Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Beijing, People s Republic of China

April 24, 2019

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	**As at 31 December 2018 RMB million**	As at 31 December 2017 RMB million
ASSETS			
Property, plant and equipment	*6*	**47,281**	42,707
Investment properties	*7*	**9,747**	3,064
Investments in associates and joint ventures	*8*	**201,661**	161,472
Held-to-maturity securities	*9.1*	**806,717**	717,037
Loans	*9.2*	**450,251**	383,504
Term deposits	*9.3*	**559,341**	449,400
Statutory deposits - restricted	*9.4*	**6,333**	6,333
Available-for-sale securities	*9.5*	**870,533**	810,734
Securities at fair value through profit or loss	*9.6*	**138,717**	136,809
Securities purchased under agreements to resell	*9.7*	**9,905**	36,185
Accrued investment income	*9.8*	**48,402**	50,641
Premiums receivable	*11*	**15,648**	14,121
Reinsurance assets	*12*	**4,364**	3,046
Other assets	*13*	**33,437**	33,952
Deferred tax assets	*28*	**1,257**	
Cash and cash equivalents		**50,809**	48,586
Total assets		**3,254,403**	2,897,591

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

	Notes	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts	*14*	**2,216,031**	2,025,133
Investment contracts	*15*	**255,434**	232,500
Policyholder dividends payable		**85,071**	83,910
Interest-bearing loans and borrowings	*16*	**20,150**	18,794
Financial liabilities at fair value through profit or loss		**2,680**	2,529
Derivative financial liabilities	*17*	**1,877**	
Securities sold under agreements to repurchase	*18*	**192,141**	87,309
Annuity and other insurance balances payable		**49,465**	44,820
Premiums received in advance		**46,650**	18,505
Other liabilities	*19*	**58,426**	47,430
Deferred tax liabilities	*28*		4,871
Current income tax liabilities		**2,630**	6,198
Statutory insurance fund	*20*	**558**	282
Total liabilities		**2,931,113**	2,572,281
Equity			
Share capital	*34*	**28,265**	28,265
Other equity instruments	*35*	**7,791**	7,791
Reserves	*36*	**149,293**	145,675
Retained earnings		**133,022**	139,202
Attributable to equity holders of the Company		**318,371**	320,933
Non-controlling interests		**4,919**	4,377
Total equity		**323,290**	325,310
Total liabilities and equity		**3,254,403**	2,897,591

Approved and authorised for issue by the Board of Directors on 27 March 2019.

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018 RMB million**	2017 RMB million	2016 RMB million
REVENUES				
Gross written premiums		**535,826**	511,966	430,498
Less: premiums ceded to reinsurers		**(4,503)**	(3,661)	(1,758)
Net written premiums		**531,323**	508,305	428,740
Net change in unearned premium reserves		**700**	(1,395)	(2,510)
Net premiums earned		**532,023**	506,910	426,230
Investment income	*21*	**125,167**	122,727	109,147
Net realised gains on financial assets	*22*	**(19,591)**	42	6,038
Net fair value gains through profit or loss	*23*	**(18,278)**	6,183	(7,094)
Other income		**8,098**	7,493	6,460
Total revenues		**627,419**	643,355	540,781
BENEFITS, CLAIMS AND EXPENSES				
Insurance benefits and claims expenses				
Life insurance death and other benefits	*24*	**(248,736)**	(259,708)	(253,157)
Accident and health claims and claim adjustment expenses	*24*	**(40,552)**	(33,818)	(27,269)
Increase in insurance contract liabilities	*24*	**(189,931)**	(172,517)	(126,619)
Investment contract benefits	*25*	**(9,332)**	(8,076)	(5,316)
Policyholder dividends resulting from participation in profits		**(19,646)**	(21,871)	(15,883)
Underwriting and policy acquisition costs		**(62,705)**	(64,789)	(52,022)
Finance costs	*26*	**(4,116)**	(4,601)	(4,767)
Administrative expenses		**(37,486)**	(35,953)	(31,854)
Other expenses		**(7,642)**	(6,426)	(4,859)
Statutory insurance fund contribution	*20*	**(1,097)**	(1,068)	(1,048)
Total benefits, claims and expenses		**(621,243)**	(608,827)	(522,794)
Share of profit of associates and joint ventures, net	*8*	**7,745**	7,143	5,855
Profit before income tax	*27*	**13,921**	41,671	23,842
Income tax	*28*	**(1,985)**	(8,919)	(4,257)
Net profit		**11,936**	32,752	19,585

Attributable to:				
- Equity holders of the Company		**11,395**	32,253	19,127
- Non-controlling interests		**541**	499	458
Basic and diluted earnings per share	*29*	**RMB0.39**	RMB1.13	RMB0.66

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2018

	Note	**2018 RMB million**	2017 RMB million	2016 RMB million
Other comprehensive income				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Fair value gains/(losses) on available-for-sale securities		**(24,591)**	(15,003)	(44,509)
Amount transferred to net profit from other comprehensive income		**19,549**	(42)	(6,038)
Portion of fair value changes on available-for-sale securities attributable to participating policyholders		**(32)**	5,605	17,372
Share of other comprehensive income of associates and joint ventures under the equity method		**735**	20	(864)
Exchange differences on translating foreign operations		**598**	(865)	21
Income tax relating to components of other comprehensive income	*28*	**1,716**	2,359	8,242
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(2,025)**	(7,926)	(25,776)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods				
Other comprehensive income for the year, net of tax		**(2,025)**	(7,926)	(25,776)
Total comprehensive income for the year, net of tax		**9,911**	24,826	(6,191)
Attributable to:				
- Equity holders of the Company		**9,325**	24,341	(6,647)
- Non-controlling interests		**586**	485	456

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital RMB million (Note 34)	Other equity instruments RMB million (Note 35)	Reserves RMB million (Note 36)	Retained earnings RMB million	RMB million	RMB million
As at 1 January 2016	28,265	7,791	163,381	123,055	3,722	326,214
Net profit				19,127	458	19,585
Other comprehensive income			(25,774)		(2)	(25,776)
Total comprehensive income			(25,774)	19,127	456	(6,191)
Transactions with owners						
Appropriation to reserves (Note 36)			7,367	(7,367)		
Dividends paid (Note 31)				(12,257)		(12,257)
Dividends to non-controlling interests					(151)	(151)
Others			33			33
Total transactions with owners			7,400	(19,624)	(151)	(12,375)
As at 31 December 2016	28,265	7,791	145,007	122,558	4,027	307,648
As at 1 January 2017	28,265	7,791	145,007	122,558	4,027	307,648
Net profit				32,253	499	32,752
Other comprehensive income			(7,912)		(14)	(7,926)
Total comprehensive income			(7,912)	32,253	485	24,826
Transactions with owners						
Appropriation to reserves (Note 36)			8,445	(8,445)		
Dividends paid (Note 31)				(7,164)		(7,164)
Dividends to non-controlling interests					(135)	(135)
Others			135			135
Total transactions with owners			8,580	(15,609)	(135)	(7,164)

As at 31 December 2017	28,265	7,791	145,675	139,202	4,377	325,310

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital RMB million (Note 34)	Other equity instruments RMB million (Note 35)	Reserves RMB million (Note 36)	Retained earnings RMB million	RMB million	RMB million
As at 1 January 2018	**28,265**	**7,791**	**145,675**	**139,202**	**4,377**	**325,310**
Net profit				**11,395**	**541**	**11,936**
Other comprehensive income			**(2,070)**		**45**	**(2,025)**
Total comprehensive income			**(2,070)**	**11,395**	**586**	**9,911**
Transactions with owners						
Capital paid in by non-controlling interests					**105**	**105**
Appropriation to reserves (Note 36)			**5,885**	**(5,885)**		
Dividends paid (Note 31)				**(11,690)**		**(11,690)**
Dividends to non-controlling interests					**(149)**	**(149)**
Others			**(197)**			**(197)**
Total transactions with owners			**5,688**	**(17,575)**	**(44)**	**(11,931)**
As at 31 December 2018	**28,265**	**7,791**	**149,293**	**133,022**	**4,919**	**323,290**

The notes on pages 13 to 102 form an integral part of these consolidated financial statements

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 **RMB million**	2017 RMB million	2016 RMB million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	**13,921**	41,671	23,842
Adjustments for:			
Investment income	**(125,167)**	(122,727)	(109,147)
Net realised and unrealised losses/(gains) on financial assets	**37,869**	(6,225)	1,056
Insurance contracts	**190,210**	176,148	131,354
Depreciation and amortisation	**2,638**	2,240	2,083
Foreign exchange losses/(gains)	**194**	(52)	(582)
Share of profit of associates and joint ventures, net	**(7,745)**	(7,143)	(5,855)
Changes in operating assets and liabilities:			
Securities at fair value through profit or loss	**(9,020)**	76,378	(76,318)
Financial liabilities at fair value through profit or loss	**1,114**	931	1,539
Receivables and payables	**48,838**	38,967	124,466
Income tax paid	**(9,991)**	(4,473)	(9,331)
Interest received - securities at fair value through profit or loss	**3,527**	4,497	5,465
Dividends received - securities at fair value through profit or loss	**1,164**	778	526
Net cash inflow/(outflow) from operating activities	**147,552**	200,990	89,098
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals and maturities:			
Disposals of debt investments	**48,942**	30,540	10,447
Maturities of debt investments	**110,425**	142,845	50,101
Disposals of equity investments	**278,003**	506,306	508,476
Property, plant and equipment	**274**	103	114
Purchases:			
Debt investments	**(294,238)**	(516,051)	(173,628)
Equity investments	**(335,301)**	(500,737)	(537,012)
Property, plant and equipment	**(19,546)**	(9,619)	(5,310)
Investments in associates and joint ventures	**(34,928)**	(37,304)	(65,158)
Decrease/(increase) in term deposits, net	**(109,590)**	92,148	37,515
Decrease/(increase) in securities purchased under agreements to resell, net	**26,258**	6,981	(22,035)
Interest received	**106,342**	98,012	78,891
Dividends received	**19,503**	29,014	20,390
Decrease/(increase) in policy loans, net	**(34,208)**	(15,515)	(7,483)
Cash paid related to other investing activities	**(309)**	(399)	(11)

Net cash inflow/(outflow) from investing activities	**(238,373)**	(173,676)	(104,703)

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	2018 RMB million	2017 RMB million	2016 RMB million
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in securities sold under agreements to repurchase, net	**104,832**	6,228	49,999
Interest paid	**(3,990)**	(5,671)	(4,891)
Dividends paid to equity holders of the Company	**(11,690)**	(7,164)	(12,257)
Dividends paid to non-controlling interests	**(149)**	(135)	(151)
Cash received from borrowings	**727**	3,121	13,831
Capital injected into subsidiaries by non-controlling interests	**3,560**	4,034	2,939
Cash repaid to lenders		(38,000)	(30,000)
Cash paid related to other financing activities	**(327)**	(8,008)	(13,200)
Net cash inflow/(outflow) from financing activities	**92,963**	(45,595)	6,270
Foreign exchange gains/(losses) on cash and cash equivalents	**81**	(179)	285
Net increase/(decrease) in cash and cash equivalents	**2,223**	(18,460)	(9,050)
Cash and cash equivalents			
Beginning of the year	**48,586**	67,046	76,096
End of the year	**50,809**	48,586	67,046
Analysis of balances of cash and cash equivalents			
Cash at banks and in hand	**50,792**	47,444	64,364
Short-term bank deposits	**17**	1,142	2,682

The notes on pages 13 to 102 form an integral part of these consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ORGANISATION AND PRINCIPAL ACTIVITIES

China Life Insurance Company Limited (the Company) was established in the People s Republic of China (China or the PRC) on 30 June 2003 as a joint stock company with limited liability as part of a group restructuring of China Life Insurance (Group) Company (CLIC , formerly China Life Insurance Company) and its subsidiaries (the Restructuring). The Company and its subsidiaries are hereinafter collectively referred to as the Group . The Group s principal activities are the writing of life, health, accident and other types of personal insurance business; reinsurance business for personal insurance business; fund management business permitted by national laws and regulations or approved by the State Council of the People s Republic of China, etc.

The Company is a joint stock company incorporated in the PRC with limited liability. The address of its registered office is 16 Financial Street, Xicheng District, Beijing, the PRC. The Company is listed on the New York Stock Exchange, the Stock Exchange of Hong Kong Limited, and the Shanghai Stock Exchange.

These consolidated financial statements are presented in millions of Renminbi (RMB million) unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 27 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Group has prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), amendments to IFRSs and interpretations issued by the International Accounting Standards Board (IASB). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The Group has prepared the consolidated financial statements under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss, available-for-sale securities, insurance contract liabilities and certain property, plant and equipment at deemed cost as part of the Restructuring process. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 2 Amendments	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
IFRS 4 Amendments	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 15 Amendments	*Clarifications to IFRS 15 Revenue from Contracts with Customers*	1 January 2018
IAS 40 Amendments	*Transfers of Investment Property*	1 January 2018

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (continued)

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

In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee s tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee s tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met.

The Group s accounting treatment for cash-settled share-based payments is consistent with the clarification in the amendments. In addition, the Group has no share-based payment transactions with net settlement features for withholding tax obligations and has not made any modifications to the terms and conditions of its share-based payment transactions. Therefore, these amendments have no impact on the Group s consolidated financial statements.

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

Amendments to IFRS 4 address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until the effective date of IFRS 17. The amendments clarify that an insurer may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss (FVTPL); and (ii) its activities are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income (OCI) for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

During 2016, the Company performed an assessment of the amendments and reached the conclusion that its activities were predominantly connected with insurance as at 31 December 2015. There has been no significant change in the activities of the Group since then that requires reassessment, and the Group considers that it continues to meet the criteria of applying the temporary exemption. The Group decides to apply the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and financial liabilities in its reporting period starting on 1 January 2018. The disclosures about the Group s temporary exemption from IFRS 9 are disclosed in Note 32.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018 (continued)

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

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard supersedes all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal-versus-agent consideration, licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. IFRS 15 and the amendments are effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

Given insurance contracts are scoped out of IFRS 15, the main impact of the new standard is on the accounting treatment of income from administrative and investment management services. Based on the standard s transitional provisions, the entity shall recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings or other component of equity of the annual reporting period that includes the date of initial application, and does not require a restatement of prior periods. The Group adopted IFRS 15 using the modified retrospective approach from 1 January 2018. Adoption of the standard has no significant impact on relative items of the Group s consolidated financial statements.

IAS 40 Amendments ***Transfers of Investment Property***

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management s intentions for the use of a property does not provide evidence of a change in use. The amendments are to be applied prospectively, and shall be applied to the changes that occurred, during or after the financial year when it applies amendments for the first time. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The amendments do not have any significant impact on the Group s consolidated financial statements.

In addition, the *Annual Improvements 2014-2016 Cycle* issued in December 2016 set out amendments to IFRS 1 and IAS 28, which are effective for annual periods beginning on or after 1 January 2018. There is no significant impact on the accounting policies of the Group as a result of these amendments.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 9	*Financial Instruments*	1 January 2018

IFRS 9 ***Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a significant impact on the Group s consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business models (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL, based on their respective business models. The Group analysed the contractual cash flow characteristics of financial assets as at 31 December 2018 and made relevant disclosures in Note 32 according to IFRS 4 Amendments.

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

Impairment

IFRS 9 replaces the incurred loss model with the expected credit loss model which is designed to include forward-looking information. The Group is in the process of developing and testing the key models required under IFRS 9 and analysing the impact on the expected loss provision; the Group believed that the provision for debt instruments of the Group under the expected credit loss model would be larger than that under the previous incurred loss model.

Hedge accounting

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

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2018

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 16	*Leases*	1 January 2019
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	No mandatory effective date yet determined but available for adoption

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

IFRS 16 ***Leases***

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, related IFRS Interpretations Committee Interpretation and Standing Interpretations Committee Interpretation. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees-leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today s accounting under IAS 17. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard s transition provisions permit certain reliefs.

The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the modified retrospective approach according to transitional provisions in IFRS 16. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on leases whose lease terms end within 12 months as of the date of initial application and leases of low-value assets. The Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB2.6 billion and lease liabilities of RMB2.2 billion will be recognised at 1 January 2019, with no corresponding adjustment to the opening balance of retained earnings. Based on the current assessment, the Group expects the adoption of IFRS 16 will have no significant impact on the Group s consolidated statement of comprehensive income.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2018 (continued)

IFRS 3 Amendments ***Definition of a business***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations*. The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group expects to adopt the amendments from 1 January 2020. The amendments are not expected to have any significant impact on the Group s consolidated financial statements.

IAS 1 and IAS 8 Amendments ***Definition of Material***

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group expects to adopt the amendments from 1 January 2020. The amendments are not expected to have any significant impact on the Group s consolidated financial statements.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2018 (continued)

IFRS 17 ***Insurance Contracts***

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 *Insurance Contracts*.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The fulfilment cash flows including the expected present value of future cash flows and explicit risk adjustment, remeasured every reporting period;

- A contractual service margin represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the coverage period;

- Certain changes in the expected present value of future cash flows are adjusted against the contractual service margin and thereby recognised in profit or loss over the remaining coverage period;

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;

Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components), are not presented in the statement of comprehensive income, but are recognised directly on the statement of financial position;

Insurance services results are presented separately from the insurance finance income or expense;

Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required, with comparative figures required. However, if full retrospective application for a group of insurance contracts is impracticable, the entity is required to choose either the modified retrospective approach or the fair value approach.

In November 2018, the IASB tentatively decided to defer the effective date for IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. The IASB also tentatively decided to allow insurers qualifying for the deferral of IFRS 9 an additional year of deferral, meaning that they could apply both standards for the first time to reporting periods beginning on or after 1 January 2022. As at the approval date of the consolidated financial statements, the changes to the effective dates have not yet been finalised by the IASB.

The Group is currently assessing the impact of the standard upon adoption.

IFRS 10 and IAS 28 Amendments ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor s profit or loss only to the extent of the unrelated investor s interest in that associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New accounting standards and amendments that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 January 2018 (continued)

The *Annual Improvements 2015-2017 Cycle* issued in December 2017 set out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, which are effective for annual periods beginning on or after 1 January 2019. There is no significant impact on the accounting policies of the Group as a result of these amendments.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. Subsidiaries are those entities which are controlled by the Group (including the structured entities controlled by the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

- the contractual arrangement with the other vote holders of the investee;

- rights arising from other contractual arrangements; and

- the Group s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;

- derecognises the carrying amount of any non-controlling interests;

- derecognises the cumulative translation differences recorded in equity;

- recognises the fair value of the consideration received;

- recognises the fair value of any investment retained;

- recognises any surplus or deficit in profit or loss; and

- reclassifies the Group s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as if the Group had directly disposed of the related assets or liabilities.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

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

The excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree, and the fair value of any previous equity interest in the acquiree at the acquisition date over the fair value of the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed in subsequent periods. Gains or losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold.

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

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of controls as equity transactions. For shares purchased from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal of shares to non-controlling interests are also recorded in equity.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates and joint ventures

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

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

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group s share of post-acquisition profit or loss of its associates and joint ventures is recognised in net profit, and its share of post-acquisition movements in OCI is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses unless it has obligations to make payments on behalf of the associate or joint venture.

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of acquired associates or joint ventures at the date of acquisition. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures and is tested annually for impairment as part of the overall balance. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity take into consideration the carrying amount of goodwill relating to the entity sold.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired. If this is the case, an impairment loss is recognised for the amount by which the investment s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment s fair value less costs of disposal and value in use. The impairment of investments in the associates and joint ventures is reviewed for possible reversal at each reporting date.

The investments in associates and joint ventures are stated at cost less impairment in the Company s statement of financial position. The results of associates and joint ventures are accounted for by the Company on the basis of dividends received and receivable.

2.4 Segment reporting

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

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

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

The Company s functional currency is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The reporting currency of the consolidated financial statements of the Group is RMB. Transactions in foreign currencies are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the end of the reporting period. Exchange differences arising in these cases are recognised in net profit.

2.6 Property, plant and equipment

Property, plant and equipment, are stated at historical costs less accumulated depreciation and any accumulated impairment losses, except for those acquired prior to 30 June 2003, which are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

The historical costs of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after terms of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation

Depreciation is computed on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful lives as follows:

	Estimated useful lives
Buildings	15 to 35 years
Office equipment, furniture and fixtures	3 to 11 years
Motor vehicles	4 to 8 years
Leasehold improvements	Over the shorter of the remaining term of

the lease and the useful lives

The residual values, depreciation method and useful lives are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Assets under construction mainly represent buildings under construction, which are stated at cost less any impairment losses and are not depreciated, except for those acquired prior to 30 June 2003, which are stated at deemed cost less any accumulated impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to the appropriate category of property, plant and equipment, investment properties or other assets when completed and ready for use.

Impairment and gains or losses on disposals

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in net profit for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset s net selling price and value in use.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in net profit.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties

Investment properties are interests in land use rights and buildings that are held to earn rental income and/or for capital appreciation, rather than for the supply of services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful lives. The estimated useful lives of investment properties are 15 to 35 years.

Overseas investment properties, that are held by the Group in the form of property ownership, equity investment, or other forms, have expected useful lives not longer than 50 years, determined based on the usage in their locations.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the individual investment properties.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

2.8 Financial assets

2.8.a Classification

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

(i) Securities at fair value through profit or loss

This category has two sub-categories: securities held for trading and those designated as at fair value through profit or loss at inception. Securities are classified as held for trading at inception if acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of taking short-term profit. The Group may classify other financial assets as at fair value through profit or loss if they meet the criteria in IAS 39 and designated as such at inception.

(ii) Held-to-maturity securities

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

(iii) Loans and receivables

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

(iv) Available-for-sale securities

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.b Recognition and measurement

Purchase and sale of investments are recognised on the trade date, when the Group commits to purchase or sell assets. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Securities at fair value through profit or loss and available-for-sale securities are carried at fair value. Equity investments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are carried at cost, net of allowance for impairments. Held-to-maturity securities are carried at amortised cost using the effective interest method. Investment gains and losses on sales of securities are determined principally by specific identification. Realised and unrealised gains and losses arising from changes in the fair value of the securities at fair value through profit or loss category, and the change of fair value of available-for-sale debt securities due to foreign exchange impact on the amortised cost are included in net profit in the period in which they arise. The remaining unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in OCI. When securities classified as available-for-sale securities are sold or impaired, the accumulated fair value adjustments are included in net profit as realised gains on financial assets.

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

Loans are carried at amortised cost, net of allowance for impairment.

The Group purchases securities under agreements to resell substantially identical securities. These agreements are classified as secured loans and are recorded at amortised cost, i.e., their costs plus accrued interests at the end of the reporting period, which approximates fair value. The amounts advanced under these agreements are reflected as assets in the consolidated statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. Sale or transfer of the securities is not permitted by the respective clearing house on which they are registered while the lent capital is outstanding. In the event of default by the counterparty, the Group has the right to the underlying securities held by the clearing house.

2.8.c Impairment of financial assets other than securities at fair value through profit or loss

Financial assets other than those accounted for as at fair value through profit or loss are adjusted for impairment, where there are declines in value that are considered to be impairment. In evaluating whether a decline in value is an impairment for these financial assets, the Group considers several factors including, but not limited to, the following:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter into bankruptcy or other financial reorganisation; and
- the disappearance of an active market for that financial asset because of financial difficulties.

In evaluating whether a decline in value is impairment for equity securities, the Group also considers the extent or the duration of the decline. The quantitative factors include the following:

- the market price of the equity securities was more than 50% below their cost at the reporting date;
- the market price of the equity securities was more than 20% below their cost for a period of at least six months at the reporting date; and
- the market price of the equity securities was below their cost for a period of more than one year (including one year) at the reporting date.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.c Impairment of financial assets other than securities at fair value through profit or loss (continued)

When the decline in value is considered impairment, held-to-maturity debt securities are written down to their present value of estimated future cash flows discounted at the securities effective interest rates, available-for-sale debt securities and equity securities are written down to their fair value, and the change is recorded in net realised gains on financial assets in the period the impairment is recognised. The impairment loss is reversed through net profit if in a subsequent period the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised through net profit. The impairment losses recognised in net profit on equity instruments are not reversed through net profit.

2.9 Fair value measurement

The Group measures financial instruments, such as securities at fair value through profit or loss and available-for-sale securities, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement of assets and liabilities is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in Notes 4.4, 7 and 10 based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between each level in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of 90 days or less, whose carrying value approximates fair value.

2.11 Insurance contracts and investment contracts

2.11.1 Classification

The Group issues contracts that transfer insurance risk or financial risk or both. The contracts issued by the Group are classified as insurance contracts and investment contracts. Insurance contracts are those contracts that transfer significant insurance risk. They may also transfer financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk. A number of insurance and investment contracts contain a discretionary participating feature (DPF). This feature entitles the policyholders to receive additional benefits or bonuses that are, at least in part, at the discretion of the Group.

2.11.2 Insurance contracts

2.11.2.a Recognition and measurement

(i) Short-term insurance contracts

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

The unearned premium reserve represents the portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage.

Reserves for claims and claim adjustment expenses consist of the reserves for reported and unreported claims and reserves for claims expenses with respect to insured events. In developing these reserves, the Group considers the nature and distribution of the risks, claims cost development, and experiences in deriving the reasonable estimated amount and the applicable margins. The methods used for reported and unreported claims include the case-by-case estimation method, average cost per claim method, chain ladder method, etc. The Group calculates the reserves for claims expenses based on the reasonable estimates of the future payments for claims expenses.

(ii) Long-term insurance contracts

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Insurance contracts and investment contracts (continued)

2.11.2 Insurance contracts (continued)

2.11.2.a Recognition and measurement (continued)

(ii) Long-term insurance contracts (continued)

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

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

additional non-guaranteed benefits, such as policyholder dividends; and

reasonable expenses incurred to manage insurance contracts or to process claims, including maintenance expenses and claim settlement expenses. Future administration expenses are included in the maintenance expenses. Expenses are determined based on expense analysis with consideration of future inflation and the Group s expense management control.

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

(b) Margin has been taken into consideration while computing the reserve of insurance contracts, measured separately and recognised in net profit in each period over the life of the contracts. At the inception of the contracts, the Group does not recognise Day 1 gain, whereas on the other hand, Day 1 loss is recognised in net profit immediately.

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

(c) The Group has considered the impact of time value on the reserve calculation for insurance contracts.

(iii) Universal life contracts and unit-linked contracts

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

- insurance components

- non-insurance components

The insurance components are accounted for as insurance contracts; and the non-insurance components are accounted for as investment contracts (Note 2.11.3), which are stated in the investment contract liabilities.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Insurance contracts and investment contracts (continued)

2.11.2 Insurance contracts (continued)

2.11.2.b Liability adequacy test

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

2.11.2.c Reinsurance contracts held

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

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

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

2.11.3 Investment contracts

For investment contracts with or without DPF, the Company s policy fee income mainly consists of acquisition cost and various fees (handling fees and management fees, etc.) over the period of which the service is provided. Policy fee income net of certain acquisition cost is amortised over the expected life of the contracts by period and recognised in revenue.

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

2.11.4 DPF in long-term insurance contracts and investment contracts

DPF is contained in certain long-term insurance contracts and investment contracts. These contracts are collectively called participating contracts. The Group is obligated to pay to the policyholders of participating contracts as a group at the higher of 70% of accumulated surplus available and the rate specified in the contracts. The accumulated surplus available mainly arises from net investment income and gains and losses arising from the assets supporting these contracts. To the extent unrealised gains or losses from available-for-sale securities are attributable to policyholders, shadow adjustments are recognised in OCI. The surplus owed to policyholders is recognised as policyholder dividend payable whether it is declared or not. The amount and timing of distribution to individual policyholders of participating contracts are subject to future declarations by the Group.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are the portions owned by the external investors in the consolidated structured entities (open-ended funds). Such financial liabilities are designated at fair value upon initial recognition, and all realised or unrealised gains or losses are recognised in net profit.

2.13 Securities sold under agreements to repurchase

The Group retains substantially all the risk and rewards of ownership of securities sold under agreements to repurchase which generally mature within 180 days from the transaction date. Therefore, securities sold under agreements to repurchase are classified as secured borrowings. The Group may be required to provide additional collateral based on the fair value of the underlying securities. Securities sold under agreements to repurchase are recorded at amortised cost, i.e., their cost plus accrued interest at the end of the reporting period. It is the Group s policy to maintain effective control over securities sold under agreements to repurchase which includes maintaining physical possession of the securities. Accordingly, such securities continue to be carried on the consolidated statement of financial position.

2.14 Bonds payable

Subordinated debts in bonds payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium at acquisition and transaction costs.

2.15 Derivative instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss of derivative financial instruments is recognised in net profit. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

2.16 Employee benefits

Pension benefits

Full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulae. These government agencies are responsible for the pension liability to these employees upon retirement. The Group contributes on a monthly basis to these pension plans. In addition to the government-sponsored pension plans, the Group established an employee annuity fund pursuant to the relevant laws and regulations in the PRC, whereby the Group is required to contribute to the schemes at fixed rates of the employees salary costs. Contributions to these plans are expensed as incurred. Under these plans, the Group has no legal or constructive obligation for retirement benefit beyond the contributions made.

Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group s liability in respect of these funds is limited to the contributions payable in each year.

CHINA LIFE INSURANCE COMPANY LIMITED

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (continued)

Stock appreciation rights

Compensation under the stock appreciation rights is measured based on the fair value of the liabilities incurred and is expensed over the vesting period. Valuation techniques including option pricing models are used to estimate fair value of relevant liabilities. The liability is re-measured at the end of each reporting period to its fair value until settlement. Fair value changes in the vesting period are included in administrative expenses and changes after the vesting period are included in net fair value gains through profit or loss in net profit. The related liability is included in other liabilities.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Other equity instruments

Other equity instruments are Core Tier 2 Capital Securities issued by the Group. These securities contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; or to be settled in the Group s own equity instruments. Therefore, the Group classifies these securities as other equity instruments. Fees, commissions and other transaction costs of these securities issuance are deducted from equity. The distributions of the securities are recognised as profit distribution at the time of declaration.

2.19 Revenue recognition

Turnover of the Group represents the total revenues which include the following:

Premiums

Premiums from long-term insurance contracts are recognised as revenue when due from the policyholders.

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

Policy fee income

The policy fee income for investment contracts mainly consists of acquisition costs and various fees (handling fees and management fees, etc.) over the period of which the service is provided. Policy fee income net of certain acquisition costs is amortised over the expected life of the contracts and recognised as other income.

Investment income

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Finance costs

Interest expenses for bonds payable, securities sold under agreements to repurchase and interest-bearing loans and borrowings are recognised within finance costs in net profit using the effective interest rate method.

2.21 Current and deferred income taxation

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in net profit, except to the extent that it relates to items recognised directly in OCI where the income tax is recognised in OCI.

Current income tax assets and liabilities for the current period are calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken with respect to situations in which applicable tax regulations are subject to interpretation.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed by the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.22 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor company are accounted for as operating leases.

Where the Group is the lessor, assets leased by the Group under operating leases are included in investment properties and rentals receivable under such operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. The aggregate benefit of incentives provided by the lessor is recognised as a reduction in rental expenses over the lease terms on the straight-line basis.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.24 Dividend distribution

Dividend distribution to the Company s equity holders is recognised as a liability in the Group s consolidated financial statements in the year in which the dividends are approved by the Company s equity holders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group exercises significant judgement in making appropriate assumptions.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be different from the estimates and judgements referred to below.

3.1 Estimate of future benefit payments and premiums arising from long-term insurance contracts

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

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

The judgements exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities.

The impact of the various assumptions and their changes are described in Note 14.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Financial instruments

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

The Group considers a wide range of factors in the impairment assessment as described in Note 2.8.c.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques which require a degree of judgements. The methods and assumptions used by the Group in measuring the fair value of financial instruments are as follows:

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

equity securities: fair values are generally based upon current bid prices. Where current bid prices are not readily available, fair values are estimated using either prices observed in recent transactions or commonly used market pricing models. Equity securities, for which fair values cannot be measured reliably, are recognised at cost less impairment.

securities purchased under agreements to resell, policy loans, term deposits, interest-bearing loans and borrowings, and securities sold under agreements to repurchase: the carrying amounts of these assets in the consolidated statement of financial position approximate fair value.

fair values of other loans are obtained from valuation techniques.

For the description of valuation techniques, please refer to Note 4.4. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

3.3 Impairment of investments in associates and joint ventures

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments in associates and joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm s length transaction of similar assets or observable market prices less incremental costs for disposing of investments in associates and joint ventures. When value in use calculations are undertaken, the Group must estimate the expected future cash flows from investments in associates and joint ventures and choose a suitable discount rate in order to calculate the present value of those cash flows.

3.4 Income tax

The Group is subject to income tax in numerous jurisdictions. During the normal course of business, certain transactions and activities for which the ultimate tax determination is uncertain, the Group needs to exercise significant judgement when determining the income tax. If the final settlement results of the tax matters are different from the amounts recorded, these differences will impact the final income tax expense and deferred tax for the period.

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FOR THE YEAR ENDED 31 DECEMBER 2018

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.5 Determination of control over investee

The Group applies its judgement to determine whether the control indicators set out in Note 2.2 indicate that the Group controls structured entities such as funds and asset management products.

The Group issues certain structured entities (e.g. funds and asset management plans), and acts as a manager for such entities according to the contracts. In addition, the Group may be exposed to variability of returns as a result of holding shares of the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity. As at 31 December 2018, the Group has consolidated some funds issued and managed by the Company s subsidiary, China Life AMP Asset Management Company (CL AMP), some debt investment schemes and asset management products issued and managed by the Company s subsidiary, China Life Asset Management Company Limited (AMC) and some trust schemes and debt investment schemes issued and managed by third parties in the consolidated financial statements.

4 RISK MANAGEMENT

Risk management is carried out by the Company s Risk Management Committee under policies approved by the Company s Board of Directors.

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

4.1 Insurance risk

4.1.1 Types of insurance risks

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the types of insurance risks accepted and within each of these categories to achieve a sufficiently large population to reduce the variability of the expected outcome. The Group manages insurance risk through underwriting strategies, reinsurance arrangements and claims handling.

The Group manages insurance risks through two types of reinsurance agreements, ceding on a quota share basis or a surplus basis, to cover insurance liability risk. Reinsurance contracts cover almost all products, which contain risk liabilities. The products reinsured include: life insurance, accident and health insurance or death, disability, accident, illness and assistance in terms of product category or function, respectively. These reinsurance agreements spread insured risk to a certain extent and reduce the effect of potential losses to the Group. However, the Group s direct insurance liabilities to the policyholder are not eliminated because of the credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

4.1.2 Concentration of insurance risks

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.1 Insurance risk (continued)

4.1.2 Concentration of insurance risks (continued)

The table below presents the Group s major products of long-term insurance contracts:

Product name	For the year ended 31 December			
	2018		2017	
	RMB million	**%**	RMB million	%
Premiums of long-term insurance contracts				
Xin Fu Ying Jia Annuity (a)	**38,397**	**7.99%**	40,588	8.73%
Hong Fu Zhi Zun Annuity (b)	**22,292**	**4.64%**	24,877	5.35%
Xin Ru Yi Annuity (c)	**21,960**	**4.57%**	25,166	5.41%
Kang Ning Whole Life (d)	**20,667**	**4.30%**	21,435	4.61%
Hong Ying Participating Endowment (e)	**1,448**	**0.30%**	3,019	0.65%
Others (f)	**375,732**	**78.20%**	349,813	75.25%
Total	**480,496**	**100.00%**	464,898	100.00%
Insurance benefits of long-term insurance contracts				
Xin Fu Ying Jia Annuity (a)	**1,847**	**1.37%**	7,956	4.79%
Hong Fu Zhi Zun Annuity (b)	**8,764**	**6.52%**	2	0.00%
Xin Ru Yi Annuity (c)	**3,526**	**2.62%**	3,594	2.16%
Kang Ning Whole Life (d)	**4,663**	**3.47%**	4,197	2.52%
Hong Ying Participating Endowment (e)	**28,741**	**21.38%**	49,796	29.96%
Others (f)	**86,857**	**64.64%**	100,679	60.57%
Total	**134,398**	**100.00%**	166,224	100.00%

	As at 31 December 2018	As at 31 December 2017
	%	%

	RMB million		RMB million	
Liabilities of long-term insurance contracts				
Xin Fu Ying Jia Annuity (a)	**52,440**	**2.39%**	19,771	0.99%
Hong Fu Zhi Zun Annuity (b)	**26,741**	**1.22%**	15,236	0.76%
Xin Ru Yi Annuity (c)	**71,571**	**3.27%**	53,098	2.66%
Kang Ning Whole Life (d)	**289,230**	**13.21%**	268,708	13.44%
Hong Ying Participating Endowment (e)	**42,969**	**1.96%**	70,506	3.53%
Others (f)	**1,706,843**	**77.95%**	1,571,747	78.62%
Total	**2,189,794**	**100.00%**	1,999,066	100.00%

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.1 Insurance risk (continued)

4.1.2 Concentration of insurance risks (continued)

(a) Xin Fu Ying Jia Annuity is an annuity insurance contract with the options for regular premium of 3 years, 5 years or 10 years. Its insured period extends from the effective date of Xin Fu Ying Jia Annuity to the corresponding date when policyholders reach the age of 88. This product is applicable to healthy policyholders between 28-day-old and 70-year-old. From the effective date to the contractual date starting to claim of Xin Fu Ying Jia Annuity, the annuity payment of first policy year is paid at 20% of the first premium of the product, and the following annuity payments are paid at 20% of the basic sum insured by Xin Fu Ying Jia Annuity. From the first corresponding date after the contractual date starting to claim of annuity, to the corresponding date when the policyholders reach the age of 88-year-old, annuity is paid at 3% of the basic sum insured during the insured period if policyholders live to the annual corresponding effective date; annuity is paid at the premium received (without interest) during the insured period if policyholders live to the contractual date starting to claim of annuity; the contract terminates and death benefit is paid at the premium received (without interest) or the cash value of the contract, whichever greater when death incurred before the contractual date starting to claim of annuity; the contract terminates and death benefit is paid at the cash value of the contract when death incurred after contractual date starting to claim of annuity; the contract terminates and accidental death benefit is paid at the premium received (without interest) less any death benefit paid when accidents occurred and due to which death incurred within 180 days. Death benefit and accidental death benefit are paid only once.

(b) Hong Fu Zhi Zun Annuity is an annuity insurance contract with the options for annual or monthly payment. The payment period is divided into 3 years, 5 years or 10 years. Its insured period is twenty years. This product is applicable to healthy policyholders between 28-day-old and 60-year-old. From the effective date after one policy year to the expiration date, if the policyholders live to the annual corresponding effective date, the annuity payment is paid at 3% of the annual premium if the payment period is three years; the annuity payment is paid at 6% of the annual premium if the payment period is five years; and the annuity payment is paid at 12% of the annual premium if the payment period is ten years. From the effective date to the effective date after one policy year, if the policyholders survive, the special survival payment shall be paid according to the basic sum insured by Hong Fu Zhi Zun Annuity. The maturity insurance premium is paid at the premium paid (without interest). The death benefit is paid at the insurance premium received (without interest) when accidents occurred.

(c) Xin Ru Yi Annuity is an annuity insurance contract with the options for regular premium of 3 years, 5 years or 10 years. Its insured period extends from the effective date of Xin Ru Yi Annuity to the corresponding date when policyholders reach the age of 80. This product is applicable to healthy policyholders between 28-day-old and 70-year-old. From the effective date to the contractual date starting to claim of Xin Ru Yi Annuity, the annuity payment of first policy year is paid at 10% of the first premium of the product, and the following annuity payments are paid at the basic sum insured by Xin Ru Yi Annuity. From the first corresponding date after the contractual date starting to claim of annuity to the corresponding date when the policyholders reach the age of 80-year-old, the annuity payment of first policy year is paid at 110% of the basic sum insured during the insured period if policyholders live to the annual corresponding effective date; the following annuity payments increase by 10% of the basic sum on the basis of the previous payment. The maturity insurance premium is paid at the premium paid (without interest). The death benefit is paid at the larger value of the insurance premium (without interest) and the cash value of the contract at the time of the death of the insured.

CHINA LIFE INSURANCE COMPANY LIMITED

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4 RISK MANAGEMENT (CONTINUED)

4.1 Insurance risk (continued)

4.1.2 Concentration of insurance risks (continued)

(d) Kang Ning Whole Life is a whole life insurance contract with the options for single premium or regular premium of 10 years or 20 years. This product is applicable to healthy policyholders under 70-year-old. The critical illness benefit is paid at 200% of the basic sum insured. Both death and disability benefits are paid at 300% of the basic sum insured less any critical illness benefits paid.

(e) Hong Ying Participating Endowment is a participating endowment insurance contract with the options for single premium or regular premium of 3 years, 5 years or 10 years. Its insured period can be 6 years, 10 years or 15 years. This product is applicable to healthy policyholders between 30-day-old and 70-year-old. Maturity benefit of a single premium policy is paid at the basic sum insured, while that of a regular premium policy is paid at the basic sum insured multiplied by the number of years of the premium payments. Disease death benefit incurred within the first policy year is paid at the premium received (without interest). Disease death benefit incurred after the first policy year is paid at the basic sum insured for a single premium policy or the basic sum insured multiplied by the number of years of premium payments for a regular premium policy. When accidents occurred during taking a train, a ship or a flight period, death benefit is paid at the basic sum multiplied by 3 insured for a single premium policy or the basic sum multiplied by 3 and times the number of years of premium payments insured for a regular premium policy. When accidents occurred out of the period of taking a train, a ship or a flight, death benefit is paid at the basic sum multiplied by 2 insured for a single premium policy or the basic sum multiplied by 2 and times the number of years of premium payments insured for a regular premium policy.

(f) Others consist of various long-term insurance contracts with no significant concentration.

4.1.3 Sensitivity analysis

Sensitivity analysis of long-term insurance contracts

Liabilities for long-term insurance contracts and liabilities unbundled from universal life insurance contracts and unit-linked insurance contracts with insurance risk are calculated based on the assumptions on mortality rates, morbidity rates, lapse rates and discount rates. Changes in insurance contract reserve assumptions reflect the Company s actual operating results and changes in its expectation of future events. The Company considers the potential impact of future risk factors on its operating results and incorporates such potential impact in the determination of assumptions.

Holding all other variables constant, if mortality rates and morbidity rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB23,322 million or RMB24,177 million (as at 31 December 2017: RMB19,731 million or RMB20,559 million) lower or higher, respectively.

Holding all other variables constant, if lapse rates were to increase or decrease from the current best estimate by 10%, pre-tax profit for the year would have been RMB1,672 million or RMB1,535 million (as at 31 December 2017: RMB1,940 million or RMB1,989 million) lower or higher, respectively.

Holding all other variables constant, if the discount rates were 50 basis points higher or lower than the current best estimate, pre-tax profit for the year would have been RMB83,634 million or RMB95,212 million (as at 31 December 2017: RMB70,732 million or RMB80,152 million) higher or lower, respectively.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.1 Insurance risk (continued)

4.1.3 Sensitivity analysis (continued)

Sensitivity analysis of short-term insurance contracts

The assumptions of reserves for claims and claim adjustment expenses may be affected by other variables such as claims payment of short-term insurance contracts, which may result in the synchronous changes to reserves for claims and claim adjustment expenses.

Holding all other variables constant, if claim ratios are 100 basis points higher or lower than the current assumption, pre-tax profit is expected to be RMB551 million (as at 31 December 2017: RMB445 million) lower or higher, respectively.

The following table indicates the claim development for short-term insurance contracts without taking into account the impacts of ceded business:

	Short-term insurance contracts (accident year)					
Estimated claims expenses	2014	2015	2016	2017	**2018**	**Total**
Year end	16,499	20,497	27,120	33,926	**40,601**	
1 year later	17,265	21,427	27,303	34,845		
2 years later	16,726	21,422	26,851			
3 years later	16,726	21,422				
4 years later	16,726					
Estimated accumulated claims expenses	16,726	21,422	26,851	34,845	**40,601**	**140,445**
Accumulated claims expenses paid	(16,726)	(21,422)	(26,851)	(33,476)	**(27,165)**	**(125,640)**
Unpaid claims expenses				1,369	**13,436**	**14,805**

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4 RISK MANAGEMENT (CONTINUED)

4.1 Insurance risk (continued)

4.1.3 Sensitivity analysis (continued)

The following table indicates the claim development for short-term insurance contracts taking into account the impacts of ceded business:

	Short-term insurance contracts (accident year)					
Estimated claims expenses	2014	2015	2016	2017	**2018**	**Total**
Year end	16,379	20,359	26,897	33,700	**40,157**	
1 year later	17,127	21,262	27,107	34,560		
2 years later	16,589	21,259	26,655			
3 years later	16,589	21,259				
4 years later	16,589					
Estimated accumulated claims expenses	16,589	21,259	26,655	34,560	**40,157**	**139,220**
Accumulated claims expenses paid	(16,589)	(21,259)	(26,655)	(33,204)	**(26,848)**	**(124,555)**
Unpaid claims expenses				1,356	**13,309**	**14,665**

4.2 Financial risk

The Group s activities are exposed to a variety of financial risks. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group s insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk.

The Group s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by a designated department under policies approved by management. The responsible department identifies, evaluates and manages financial risks in close cooperation with the Group s operating units. The Group provides written principles for overall risk management, as well as written policies covering specific areas, such as managing market risk, credit risk, and liquidity risk.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer. The structure of the investment portfolio held by the Group is disclosed in Note 9.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated, such as change in interest rate and change in market price.

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group s financial assets are principally composed of term deposits, debt securities and loans which are exposed to interest rate risk. Changes in the level of interest rates could have a significant impact on the Group s overall investment return. Many of the Group s insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk.

The Group manages interest rate risk through adjustments to portfolio structure and duration, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

The sensitivity analysis for interest rate risk illustrates how changes in interest income and the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

As at 31 December 2018, if market interest rates were 50 basis points higher or lower with all other variables held constant, pre-tax profit for the year would have been RMB145 million (as at 31 December 2017: RMB35 million) lower or higher, respectively, mainly as a result of higher or lower interest income on floating rate cash and cash equivalents, term deposits, statutory deposits - restricted, debt securities and loans and the fair value losses or gains on debt securities assets at fair value through profit or loss. Pre-tax available-for-sale reserve in equity would have been RMB13,749 million or RMB10,045 million (as at 31 December 2017: RMB11,463 million or RMB8,306 million) lower or higher, as a result of a decrease or increase in the fair value of available-for-sale securities.

(ii) Price risk

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

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

As at 31 December 2018, if the prices of all the Group s equity securities had increased or decreased by 10% with all other variables held constant, pre-tax profit for the year would have been RMB5,073 million (as at 31 December 2017: RMB3,341 million or RMB5,393 million) higher or lower, respectively, mainly as a result of an increase or decrease in fair value of equity securities excluding available-for-sale securities. Pre-tax available-for-sale reserve in equity would have been RMB24,898 million or RMB34,474 million (as at 31 December 2017: RMB23,423 million or RMB32,651 million) higher or lower, respectively, as a result of an increase or decrease in fair value of available-for-sale equity securities. If prices decreased to the extent that the impairment criteria were met, a portion of such decrease of the available-for-sale equity securities would reduce pre-tax profit through impairment.

(iii) Currency risk

Currency risk is the volatility of fair value or future cash flows of financial instruments resulted from changes in foreign currency exchange rates. The Group s currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt investments, equity investments, interest-bearing loans and borrowings denominated in currencies other than the functional currency, such as US dollar, HK dollar, GB pound and EUR, etc.

CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(iii) Currency risk (continued)

The following table summarises primary financial assets and financial liabilities denominated in currencies other than RMB as at 31 December 2018 and 2017, expressed in RMB equivalent:

As at 31 December 2018	US dollar	HK dollar	GB pound	EUR	Others	Total
Financial assets						
Equity securities						
- Available-for-sale securities	9,994	41,379				51,373
- Securities at fair value through profit or loss	4,511	163	951	2,315	1,076	9,016
Debt securities						
- Held-to-maturity securities	150					150
- Loans	1,766					1,766
- Available-for-sale securities	2,240					2,240
- Securities at fair value through profit or loss	627		19	7	4	657
Term deposits	7,502					7,502
Cash and cash equivalents	1,768	261	287	42		2,358
Total	28,558	41,803	1,257	2,364	1,080	75,062
Financial liabilities						
Interest-bearing loans and other borrowings	13,108		2,385	4,657		20,150
Total	13,108		2,385	4,657		20,150

As at 31 December 2017	US dollar	HK dollar	GB pound	EUR	Others	Total

Financial assets						
Equity securities						
- Available-for-sale securities	8,697	28,859				37,556
- Securities at fair value through profit or loss	4,707	146	1,088	2,690	1,198	9,829
Debt securities						
- Held-to-maturity securities	155					155
- Loans	952					952
- Available-for-sale securities	1,229					1,229
- Securities at fair value through profit or loss	435		18	5	5	463
Term deposits	7,744					7,744
Cash and cash equivalents	1,246	185	282	128	3	1,844
Total	25,165	29,190	1,388	2,823	1,206	59,772
Financial liabilities						
Interest-bearing loans and other borrowings	12,480		2,413	3,901		18,794
Total	12,480		2,413	3,901		18,794

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CHINA LIFE INSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(iii) Currency risk (continued)

As at 31 December 2018, if RMB had strengthened or weakened by 10% against US dollar, HK dollar, GB pound, EUR and other foreign currencies, with all other variables held constant, pre-tax profit for the year would have been RMB353 million (as at 31 December 2017: RMB308 million) lower or higher, respectively, mainly as a result of foreign exchange losses or gains on translation of US dollar, HK dollar, GB pound, EUR and other foreign currencies denominated financial assets and financial liabilities other than the available-for-sale equity securities included in the table above. Pre-tax available-for-sale reserve in equity would have been RMB4,909 million (as at 31 December 2017: RMB3,541 million) lower or higher, respectively, as a result of foreign exchange losses or gains on translation of the available-for-sale equity securities at fair value. The actual exchange losses in 2018 were RMB194 million (2017: exchange gains of RMB52 million).

4.2.2 Credit risk

Credit risk is the risk that one party of a financial transaction or the issuer of a financial instrument will fail to discharge its obligation and cause another party to incur a financial loss. Because the Group s investment portfolio is restricted to the types of investments as permitted by the China Banking and Insurance Regulatory Commission (CBIRC) and a significant portion of the portfolio is in government bonds, government agency bonds, corporate bonds with higher credit rating and term deposits with the state-owned commercial banks, the Group s overall exposure to credit risk is relatively low.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group manages credit risk through in-house research and analysis of the Chinese economy and the underlying obligors and transaction structures. Where appropriate, the Group obtains collateral in the form of rights to cash, securities, property and equipment to lower the credit risk.

Credit risk exposure

The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit risk exposure at the reporting date without taking account of any collateral held or other credit enhancements attached. The Group has no credit risk exposure relating to off-balance sheet items as at 31 December 2018 and 2017.

Collateral and other credit enhancements

Securities purchased under agreements to resell are pledged by counterparties debt securities or term deposits of which the Group could take the ownership if the owner of the collateral defaults. Policy loans and most of premium receivables are collateralised by their policies cash value according to the terms and conditions of policy loan contracts and policy contracts, respectively.

Credit quality

The Group s debt securities investment mainly includes government bonds, government agency bonds, corporate bonds and subordinated bonds or debts, and most of the debt securities are guaranteed by either the Chinese government or Chinese government controlled financial institutions. As at 31 December 2018, 99.9% (as at 31 December 2017: 99.9%) of the corporate bonds held by the Group or the issuers of these corporate bonds had credit ratings of AA/A-2 or above. As at 31 December 2018, 99.9% (as at 31 December 2017: 99.9%) of the subordinated bonds or debts held by the Group either had credit ratings of AA/A-2 or above, or were issued by national commercial banks. The bonds, debts or their issuers credit ratings are assigned by a qualified appraisal institution in the PRC and updated at each reporting date.

As at 31 December 2018, 99.9% (as at 31 December 2017: 99.8%) of the Group s bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited (CSDCC) in the PRC. The Group believes these commercial banks, and CSDCC have a high credit quality. The Group s most other loans excluding policyholder loans, are guaranteed by third parties or with pledge, or have the fiscal annual budget income as the source of repayment, or have higher credit rating borrowers. As a result, the Group concludes that the credit risk associated with term deposits and accrued investment income thereof, statutory deposits - restricted, other loans, and cash and cash equivalents has not caused a material impact on the Group s consolidated financial statements as at 31 December 2018 and 2017.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

The credit risk associated with securities purchased under agreements to resell, policy loans and most of premium receivables has not caused a material impact on the Group s consolidated financial statements taking into consideration their sufficient collateral held and maturity terms of no more than one year as at 31 December 2018 and 2017.

4.2.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds at a reasonable funding cost when required to meet a repayment obligation and fund its asset portfolio within a certain time.

In the normal course of business, the Group attempts to match the maturity of financial assets to the maturity of insurance and financial liabilities.

The following tables set forth the contractual and expected undiscounted cash flows for financial assets and liabilities and insurance liabilities:

			Contractual and expected cash flows (undiscounted)			
As at 31 December 2018	**Carrying value**	**Without maturity**	**Not later than 1 year**	**Later than 1 year but not later than 3 years**	**Later than 3 years but not later than 5 years**	**Later than 5 years**
Financial assets						
Contractual cash inflows						
Equity securities	**422,780**	**422,780**				
Debt securities	**1,391,310**		**80,801**	**290,449**	**298,644**	**1,417,910**

Loans	**450,251**		**182,978**	**101,149**	**88,718**	**172,050**
Term deposits	**559,341**		**172,525**	**145,634**	**237,508**	**77,961**
Statutory deposits - restricted	**6,333**		**782**	**739**	**6,005**	
Securities purchased under agreements to resell	**9,905**		**9,905**			
Accrued investment income	**48,402**		**47,834**	**540**	**28**	
Premiums receivable	**15,648**		**15,648**			
Cash and cash equivalents	**50,809**		**50,809**			
Subtotal	**2,954,779**	**422,780**	**561,282**	**538,511**	**630,903**	**1,667,921**
Financial and insurance liabilities						
Expected cash outflows						
Insurance contracts	**2,216,031**		**197,289**	**222,170**	**(13,489)**	**(4,391,739)**
Investment contracts	**255,434**		**(13,098)**	**(10,293)**	**(11,422)**	**(629,318)**
Contractual cash outflows						
Securities sold under agreements to repurchase	**192,141**		**(192,141)**			
Financial liabilities at fair value through profit or loss	**2,680**	**(2,680)**				
Annuity and other insurance balances payable	**49,465**		**(49,465)**			
Interest-bearing loans and other borrowings	**20,150**		**(16,977)**	**(3,798)**		
Subtotal	**2,735,901**	**(2,680)**	**(74,392)**	**208,079**	**(24,911)**	**(5,021,057)**
Net cash inflow/(outflow)	**218,878**	**420,100**	**486,890**	**746,590**	**605,992**	**(3,353,136)**

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4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

			Contractual and expected cash flows (undiscounted)			
As at 31 December 2017	Carrying value	Without maturity	Not later than 1 year	Later than 1 year but not later than 3 years	Later than 3 years but not later than 5 years	Later than 5 years
Financial assets						
Contractual cash inflows						
Equity securities	409,528	409,528				
Debt securities	1,255,052		127,830	240,582	271,538	1,240,465
Loans	383,504		141,679	105,063	64,386	128,753
Term deposits	449,400		104,976	252,571	133,013	2,823
Statutory deposits - restricted	6,333		4,084	734	2,106	
Securities purchased under agreements to resell	36,185		36,185			
Accrued investment income	50,641		44,789	5,602	250	
Premiums receivable	14,121		14,121			
Cash and cash equivalents	48,586		48,586			
Subtotal	2,653,350	409,528	522,250	604,552	471,293	1,372,041
Financial and insurance liabilities						
Expected cash outflows						
Insurance contracts	2,025,133		16,319	221,905	47,109	(3,807,542)
Investment contracts	232,500		(15,308)	(29,981)	(26,892)	(388,320)

Contractual cash outflows						
Securities sold under agreements to repurchase	87,309		(87,309)			
Financial liabilities at fair value through profit or loss	2,529	(2,529)				
Annuity and other insurance balances payable	44,820		(44,820)			
Interest-bearing loans and other borrowings	18,794		(1,240)	(18,557)		
Subtotal	2,411,085	(2,529)	(132,358)	173,367	20,217	(4,195,862)
Net cash inflow/(outflow)	242,265	406,999	389,892	777,919	491,510	(2,823,821)

The amounts set forth in the tables above for insurance and investment contracts in each column are the cash flows representing expected future benefit payments taking into consideration of future premiums payments or deposits from policyholders. The excess cash inflows from matured financial assets will be reinvested to cover any future liquidity exposures. The estimate is subject to assumptions related to mortality, morbidity, the lapse rate, the loss ratio of short-term insurance contracts, expense and other assumptions. Actual experience may differ from estimates.

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4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Liquidity risk (continued)

The liquidity analysis above does not include policyholder dividends payable amounting to RMB85,071 million as at 31 December 2018 (as at 31 December 2017: RMB83,910 million). As at 31 December 2018, declared dividends of RMB74,932 million (as at 31 December 2017: RMB68,731 million) included in policyholder dividends payable have a maturity not later than one year. For the remaining policyholder dividends payable, the amount and timing of the undiscounted cash flows are indeterminate due to the uncertainty of future experiences including investment returns and are subject to future declarations by the Group.

Although all investment contracts with DPF and investment contracts without DPF contain contractual options to surrender that can be exercised immediately by all policyholders at any time, the Group s expected cash flows as shown in the above tables are based on past experience and future expectations. Should these contracts be surrendered immediately, it would cause a cash outflow of RMB58,669 million and RMB194,290 million, respectively for the year ended 31 December 2018 (2017: RMB56,709 million and RMB173,557 million, respectively), payable within one year.

4.2.4 Capital management

The Group s objectives for managing capital are to comply with the insurance capital requirements based on the minimum capital and actual capital required by the CBIRC, prevent risk in operation and safeguard the Group s ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders. The Group replenishes capital to improve the solvency ratio by issuing subordinated bonds and Core Tier 2 Capital Securities according to the relevant laws and the approval of the relevant authorities.

The Group is also subject to other local capital requirements, such as statutory deposits - restricted requirement, statutory insurance fund requirement, statutory reserve fund requirement and general reserve requirement discussed in detail in Note 9.4, Note 20 and Note 36, respectively.

The Group manages capital to ensure its continuous and full compliance with the regulations mainly through monitoring its quarterly solvency ratios, as well as the solvency ratio based on annual stress testing.

The table below summarises the core and comprehensive solvency ratio, core capital, actual capital and minimum capital of the Company under *Insurance Institution Solvency Regulations (No.1 - No.17)*:

	As at 31 December 2018	As at 31 December 2017
	RMB million	RMB million
Core capital	**761,353**	706,516
Actual capital	**761,367**	706,623
Minimum capital	**303,872**	254,503
Core solvency ratio	**251%**	278%
Comprehensive solvency ratio	**251%**	278%

According to the solvency ratios results mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk of insurance companies, the CBIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies by classifying them into four categories:

(i) Category A: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are very low;

(ii) Category B: solvency ratios meet the requirements, and the operational risk, strategic risk, reputational risk and liquidity risk are low;

(iii) Category C: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are high;

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4 RISK MANAGEMENT (CONTINUED)

4.2 Financial risk (continued)

4.2.4 Capital management (continued)

(iv) Category D: solvency ratios do not meet the requirements or solvency ratios meet the requirements but one or several risks in operation, strategy, reputation and liquidity are severe.

According to the Supervision Information System of the China Risk Oriented Solvency System, the latest Integrated Risk Rating result of the Company was Category A.

4.3 Disclosures about interest in unconsolidated structured entities

The Group s interest in unconsolidated structured entities are recorded as securities at fair value through profit or loss, available-for-sale securities and loans. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees, or provide finance to public and private infrastructure construction. Refer to Note 3.5 for the Group s consolidation judgments related to structured entities.

These structured entities that the Group has interest in are guaranteed by third parties with higher credit ratings, or by pledging, or by having the fiscal budget income as the source of repayment, or by borrowers with higher credit ratings.

The Group did not guarantee or provide any financing support for the structured entities that the Group had interest in or sponsored.

(i) The unconsolidated structured entities that the Group has interest in

The Group believes that the maximum exposure approximates the carrying amount of interest in these unconsolidated structured entities. The size of unconsolidated structured entities as well as the Group s carrying amount of the assets recognised in the financial statement relating to its interest in unconsolidated structured entities and the Group s maximum exposure are shown below:

As at 31 December 2018	Unconsolidated structured entities			
	Size RMB Million	Carrying amount of assets RMB Million	Maximum exposure RMB Million	Interest held by the Group
Funds managed by affiliated entities	**120,797**	**629**	**629**	**Investment income and service fee**
Funds managed by third parties	**Note 1**	**104,678**	**104,678**	**Investment income**
Trust schemes managed by affiliated entities	**3,800**	**2,680**	**2,680**	**Investment income and service fee**
Trust schemes managed by third parties	**Note 1**	**89,769**	**89,769**	**Investment income**
Debt investment schemes managed by affiliated entities	**59,456**	**32,029**	**32,029**	**Investment income and service fee**
Debt investment schemes managed by third parties	**Note 1**	**33,330**	**33,330**	**Investment income**
Others managed by affiliated entities Note 2	**422,006**	**9,502**	**9,502**	**Investment income and service fee**
Others managed by third parties Note 2	**Note 1**	**110,035**	**110,035**	**Investment income**

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4 RISK MANAGEMENT (CONTINUED)

4.3 Disclosures about interest in unconsolidated structured entities (continued)

(i) The unconsolidated structured entities that the Group has interest in (continued)

The Group believes that the maximum exposure approximates the carrying amount of interest in these unconsolidated structured entities. The size of unconsolidated structured entities as well as the Group s carrying amount of the assets recognised in the financial statement relating to its interest in unconsolidated structured entities and the Group s maximum exposure are shown below (continued):

As at 31 December 2017	Unconsolidated structured entities			
	Size RMB Million	Carrying amount of assets RMB Million	Maximum exposure RMB Million	Interest held by the Group
Funds managed by affiliated entities	127,706	3,239	3,239	Investment income and service fee
Funds managed by third parties	Note 1	97,772	97,772	Investment income
Trust schemes managed by affiliated entities	500	400	400	Investment income and service fee
Trust schemes managed by third parties	Note 1	75,263	75,263	Investment income
Debt investment schemes managed by affiliated entities	52,014	36,359	36,359	Investment income and service fee
Debt investment schemes managed by third parties	Note 1	32,209	32,209	Investment income
Others managed by affiliated entities Note 2	303,976	8,676	8,676	Investment income and service fee
Others managed by third parties Note 2	Note 1	107,859	107,859	Investment income

Note 1: Funds, trust schemes, debt investment schemes and others managed by third parties were sponsored by third party financial institutions and the information related to size of these structured entities were not publicly available.

Note 2: Others included wealth management products, special asset management schemes, and asset-backed plans, etc.

(ii) The unconsolidated structured entities that the Group has sponsored but does not have interest in

As at 31 December 2018, the size of the unconsolidated structured entities that the Group sponsored but had no interest was RMB400,419 million (as at 31 December 2017: RMB252,017 million), which were mainly funds, special asset management schemes, pension security products and pension products, etc., sponsored by the Group to generate management service fee income. In 2018, the management service fee from these structured entities was RMB1,338 million (2017: RMB736 million), which was recorded as other income. The Group did not transfer assets to these structured entities.

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4 RISK MANAGEMENT (CONTINUED)

4.4 Fair value hierarchy

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

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

Under certain conditions, the Group may not receive a price quote from independent third-party pricing services. In this instance, the Group s valuation team may choose to apply an internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences. The assets or liabilities valued by this method are generally classified as Level 3.

As at 31 December 2018, assets classified as Level 1 accounted for approximately 33.30% of assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include certain debt securities, equity securities that are traded in an active exchange market or interbank market and open-ended funds with public market price quotation. The Group considers a combination of certain factors to determine whether a market for a financial instrument is active, including the occurrence of trades within the specific period, the respective trading volume, and the degree which the implied yields for a debt security for observed transactions differs from the Group s understanding of the current relevant market rates and information. Trading prices from the Chinese interbank market are determined by both trading counterparties and can be observed publicly. The Company adopted this price of the debt securities traded on the Chinese interbank market at the reporting date as their fair market value and classified the investments as Level 1. Open-ended funds also have active markets. Fund management companies publish the net asset value of these funds on their websites on each trade date. Investors subscribe for and redeem units of these funds in accordance with the funds net asset value published by the fund management companies on each trade date. The Company adopted the unadjusted net asset value of the funds at the reporting date as their fair market value and classified the investments as Level 1.

As at 31 December 2018, assets classified as Level 2 accounted for approximately 48.57% of assets measured at fair value on a recurring basis. They primarily include certain debt securities and equity securities. Valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities are classified as Level 2 when they are valued at recent quoted prices from the Chinese interbank market or from valuation service providers.

At 31 December 2018, assets classified as Level 3 accounted for approximately 18.13% of assets measured at fair value on a recurring basis. They primarily include unlisted equity securities and unlisted debt securities. Fair values are determined using valuation techniques, including discounted cash flow valuations, the comparable companies approach, etc. The determination of Level 3 is primarily based on the significance of certain unobservable inputs.

For the accounting policies regarding the determination of fair values of financial assets and liabilities, see Note 3.2.

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4 RISK MANAGEMENT (CONTINUED)

4.4 Fair value hierarchy (continued)

The following table presents the Group s quantitative disclosures of fair value measurement hierarchy for assets and liabilities measured at fair value as at 31 December 2018:

	Fair value measurement using			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
	RMB million	RMB million	RMB million	RMB million
Assets measured at fair value				
Available-for-sale securities				
- Equity securities				
Funds	**92,260**	**44**		**92,304**
Common stocks	**113,750**	**15,871**	**13,848**	**143,469**
Preferred stocks			**32,707**	**32,707**
Wealth management products		**31,348**		**31,348**
Others	**34**		**53,445**	**53,479**
- Debt securities				
Government bonds	**2,587**	**25,853**		**28,440**
Government agency bonds	**53,433**	**126,840**		**180,273**
Corporate bonds	**10,206**	**175,514**		**185,720**
Subordinated bonds/debts		**21,314**	**200**	**21,514**
Others		**1,595**	**79,048**	**80,643**
Securities at fair value through profit or loss				
- Equity securities				
Funds	**13,891**	**76**		**13,967**
Common stocks	**34,392**	**849**		**35,241**
Wealth management products		**1,506**		**1,506**

- Debt securities				
Government bonds	**82**	**36**		**118**
Government agency bonds	**1,556**	**5,204**		**6,760**
Corporate bonds	**7,052**	**72,722**		**79,774**
Others		**1,351**		**1,351**
Total	**329,243**	**480,123**	**179,248**	**988,614**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	**(2,680)**			**(2,680)**
Investment contracts at fair value through profit or loss	**(9)**			**(9)**
Derivative financial liabilities			**(1,877)**	**(1,877)**
Total	**(2,689)**		**(1,877)**	**(4,566)**

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.4 Fair value hierarchy (continued)

The following table presents the changes in Level 3 assets and liabilities for the year ended 31 December 2018:

	Available-for-sale securities		Securities at fair value through profit or loss	Total assets	Derivative financial liabilities	Total liabilities
	Debt securities	Equity securities	Equity securities			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Opening balance	**57,333**	**89,111**	**655**	**147,099**		
Purchases	**19,755**	**7,891**		**27,646**		
Transferred into Level 3		**180**		**180**		
Transferred out of Level 3		**(467)**	**(655)**	**(1,122)**		
Total gains/(losses) recorded in profit or loss					**(1,877)**	**(1,877)**
Total gains/(losses) recorded in other comprehensive income	**3,024**	**3,446**		**6,470**		
Disposals		**(161)**		**(161)**		
Maturity	**(864)**			**(864)**		
Closing balance	**79,248**	**100,000**		**179,248**	**(1,877)**	**(1,877)**

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.4 Fair value hierarchy (continued)

The following table presents the Group s quantitative disclosures of fair value measurement hierarchy for assets and liabilities measured at fair value as at 31 December 2017:

	Fair value measurement using			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
	RMB million	RMB million	RMB million	RMB million
Assets measured at fair value				
Available-for-sale securities				
- Equity securities				
Funds	91,319	25		91,344
Common stocks	105,326	8,637	15,461	129,424
Preferred stocks			31,651	31,651
Wealth management products		40,327		40,327
Others	28		41,999	42,027
- Debt securities				
Government bonds	2,436	22,196		24,632
Government agency bonds	38,542	119,223		157,765
Corporate bonds	5,920	191,213		197,133
Subordinated bonds/debts		13,295	200	13,495
Others		4,966	57,133	62,099
Securities at fair value through profit or loss				
- Equity securities				
Funds	9,825	67		9,892
Common Stocks	42,475	896	655	44,026
- Debt securities				
Government bonds	29	2,052		2,081
Government agency bonds	4,774	4,310		9,084

Corporate bonds	4,498	62,417		66,915
Others		4,811		4,811
Total	305,172	474,435	147,099	926,706
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	(2,529)			(2,529)
Investment contracts at fair value through profit or loss	(12)			(12)
Total	(2,541)			(2,541)

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FOR THE YEAR ENDED 31 DECEMBER 2018

4 RISK MANAGEMENT (CONTINUED)

4.4 Fair value hierarchy (continued)

The following table presents the changes in Level 3 assets for the year ended 31 December 2017:

	Available-for-sale securities		Securities at fair value through profit or loss	Total
	Debt securities	Equity securities		
	RMB million	RMB million	Equity securities RMB million	RMB million
Opening balance	13,733	76,445	1,061	91,239
Purchases	47,909	15,197		63,106
Transferred into Level 3		2,842	695	3,537
Transferred out of Level 3		(5,598)	(1,059)	(6,657)
Total gains/(losses) recorded in profit or loss			(42)	(42)
Total gains/(losses) recorded in other comprehensive income	(519)	315		(204)
Disposals		(90)		(90)
Maturity	(3,790)			(3,790)
Closing balance	57,333	89,111	655	147,099

The assets and liabilities whose fair value measurements are classified under Level 3 above do not have material impact on the profit or loss of the Group.

For the assets and liabilities measured at fair value on a recurring basis, during the year ended 31 December 2018, RMB11,215 million (2017: RMB19,275 million) debt securities were transferred from Level 1 to Level 2 within the fair value hierarchy, whereas RMB16,119 million (2017: RMB9,652 million) debt securities were transferred from Level 2 to Level 1. RMB3,491 million (2017: immaterial) equity securities were transferred from Level 1 to Level 2, whereas no material equity securities were transferred from Level 2 to Level 1 (2017: same).

For the years ended 31 December 2018 and 2017, there were no significant changes in the business or economic circumstances that affected the fair value of the Group s financial assets and liabilities. There were also no reclassifications of financial assets.

As at 31 December 2018 and 2017, significant unobservable inputs such as the weighted average cost of capital and liquidity discount were used in the valuation of primary assets and liabilities at fair value classified as Level 3. The fair value was not significantly sensitive to reasonable changes in these significant unobservable inputs.

The table below presents information about the significant unobservable inputs used for primary assets and liabilities at fair value classified as Level 3 as at 31 December 2018 and 31 December 2017:

	Fair value	Valuation techniques	Significant unobservable inputs	Range	Relationships between fair value and unobservable inputs
Equity securities	31 December 2018: 34,388 31 December 2017: 24,884	Comparable companies approach	Liquidity discount	31 December 2018: 5%-25% 31 December 2017: 6%-25%	The fair value is inversely related to the liquidity discount
	31 December 2018: 23,976 31 December 2017: 21,215	Net Asset Value method	N/A	N/A	N/A
	31 December 2018: 37,847 31 December 2017: 36,530	Discounted cash flow method	Weighted average cost of capital	31 December 2018: 3.80%-7.50% 31 December 2017: 3.80%-7.50%	The fair value is inversely related to weighted average cost of capital
Debt securities	31 December 2018: 79,248 31 December 2017: 57,333	Discounted cash flow method	Weighted average cost of capital	31 December 2018: 4.00%-6.60% 31 December 2017: 4.00%-6.60%	The fair value is inversely related to weighted average cost of capital
Derivative financial liabilities	31 December 2018: (1,877) 31 December 2017: nil	Comparable companies approach	Liquidity discount	31 December 2018: 11% 31 December 2017: nil	The fair value is inversely related to the liquidity discount

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CHINA LIFE INSURANCE COMPANY LIMITED

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5 SEGMENT INFORMATION

5.1 Operating segments

The Group operates in four operating segments:

(i) Life insurance business (Life)

Life insurance business relates primarily to the sale of life insurance policies, including those life insurance policies without significant insurance risk transferred.

(ii) Health insurance business (Health)

Health insurance business relates primarily to the sale of health insurance policies, including those health insurance policies without significant insurance risk transferred.

(iii) Accident insurance business (Accident)

Accident insurance business relates primarily to the sale of accident insurance policies.

(iv) Other businesses (Others)

Other businesses relate primarily to income and cost of the agency business in respect of transactions with CLIC, etc., as described in Note 33, net share of profit of associates and joint ventures, income and expenses of subsidiaries, and unallocated income and expenditure of the Group.

5.2 Allocation basis of income and expenses

Investment income, net realised gains on financial assets, net fair value gains through profit or loss and foreign exchange gains/(losses) within other expenses are allocated among segments in proportion to the respective segments average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Administrative expenses are allocated among segments in proportion to the unit cost of respective products in the different segments. Unallocated other income and other expenses are presented in the Others segment directly. Income tax is not allocated.

5.3 Allocation basis of assets and liabilities

Financial assets, securities sold under agreements to repurchase and derivative financial liabilities are allocated among segments in proportion to the respective segments average liabilities of insurance contracts and investment contracts at the beginning and end of the year. Insurance and investment contract liabilities are presented under the respective segments. The remaining assets and liabilities are not allocated.

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5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2018					
	Life	Health	Accident	Others	Elimination	Total
			RMB million			
Revenues						
Gross written premiums	437,540	83,614	14,672			535,826
- Term life	3,145					
- Whole life	46,375					
- Endowment	126,318					
- Annuity	261,702					
Net premiums earned	436,863	80,279	14,881			532,023
Investment income	116,721	6,393	441	1,612		125,167
Net realised gains on financial assets	(18,439)	(1,008)	(70)	(74)		(19,591)
Net fair value gains through profit or loss	(16,946)	(927)	(65)	(340)		(18,278)
Other income	1,088	84		8,505	(1,579)	8,098
Including: inter-segment revenue				1,579	(1,579)	
Segment revenues	519,287	84,821	15,187	9,703	(1,579)	627,419
Benefits, claims and expenses						
Insurance benefits and claims expenses						
Life insurance death and other benefits	(245,786)	(2,922)	(28)			(248,736)
Accident and health claims and claim adjustment expenses		(33,801)	(6,751)			(40,552)
Increase in insurance contract liabilities	(167,090)	(22,966)	125			(189,931)
Investment contract benefits	(9,020)	(312)				(9,332)
Policyholder dividends resulting from participation in profits	(19,523)	(123)				(19,646)
Underwriting and policy acquisition costs	(43,108)	(11,806)	(4,808)	(2,983)		(62,705)
Finance costs	(3,304)	(181)	(12)	(619)		(4,116)
Administrative expenses	(23,728)	(7,881)	(2,982)	(2,895)		(37,486)
Other expenses	(5,339)	(487)	(140)	(3,255)	1,579	(7,642)
Including: inter-segment expenses	(1,492)	(82)	(5)		1,579	
Statutory insurance fund contribution	(759)	(242)	(96)			(1,097)
Segment benefits, claims and expenses	(517,657)	(80,721)	(14,692)	(9,752)	1,579	(621,243)
Share of profit of associates and joint ventures, net				7,745		7,745

Segment results	**1,630**	**4,100**	**495**	**7,696**		**13,921**
Income tax						**(1,985)**
Net profit						**11,936**
Attributable to						
- Equity holders of the Company						**11,395**
- Non-controlling interests						**541**
Other comprehensive income attributable to equity holders of the Company	**(2,579)**	**(141)**	**(10)**	**660**		**(2,070)**
Depreciation and amortisation	**1,589**	**505**	**202**	**342**		**2,638**

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5 SEGMENT INFORMATION (CONTINUED)

	As at 31 December 2018					
	Life	Health	Accident	Others	Elimination	Total
	RMB million					
Assets						
Financial assets (including cash and cash equivalents)	2,743,378	145,889	9,835	43,383		2,942,485
Others	9,696	8,975	610	201,661		220,942
Segment assets	2,753,074	154,864	10,445	245,044		3,163,427
Unallocated						
Property, plant and equipment						47,281
Others						43,695
Total						3,254,403
Liabilities						
Insurance contracts	2,081,822	125,743	8,466			2,216,031
Investment contracts	240,152	15,282				255,434
Derivative financial liabilities	1,773	97	7			1,877
Securities sold under agreements to repurchase	178,499	9,759	674	3,209		192,141
Others	46,328	3,607	211	22,830		72,976
Segment liabilities	2,548,574	154,488	9,358	26,039		2,738,459
Unallocated						
Others						192,654
Total						2,931,113

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5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2017					
	Life	Health	Accident	Others	Elimination	Total
			RMB million			
Revenues						
Gross written premiums	429,822	67,708	14,436			511,966
- Term life	4,110					
- Whole life	36,496					
- Endowment	198,418					
- Annuity	190,798					
Net premiums earned	429,267	63,323	14,320			506,910
Investment income	115,316	5,454	456	1,501		122,727
Net realised gains on financial assets	41	2		(1)		42
Net fair value gains through profit or loss	5,690	269	23	201		6,183
Other income	1,276	75		7,268	(1,126)	7,493
Including: inter-segment revenue				1,126	(1,126)	
Segment revenues	551,590	69,123	14,799	8,969	(1,126)	643,355
Benefits, claims and expenses						
Insurance benefits and claims expenses						
Life insurance death and other benefits	(257,300)	(2,383)	(25)			(259,708)
Accident and health claims and claim adjustment expenses		(27,992)	(5,826)			(33,818)
Increase in insurance contract liabilities	(152,110)	(20,249)	(158)			(172,517)
Investment contract benefits	(7,798)	(278)				(8,076)
Policyholder dividends resulting from participation in profits	(21,748)	(123)				(21,871)
Underwriting and policy acquisition costs	(48,781)	(8,494)	(4,565)	(2,949)		(64,789)
Finance costs	(3,967)	(187)	(16)	(431)		(4,601)
Administrative expenses	(24,286)	(5,615)	(3,423)	(2,629)		(35,953)
Other expenses	(5,508)	(376)	(147)	(1,521)	1,126	(6,426)
Including: inter-segment expenses	(1,071)	(51)	(4)		1,126	
Statutory insurance fund contribution	(777)	(180)	(111)			(1,068)
Segment benefits, claims and expenses	(522,275)	(65,877)	(14,271)	(7,530)	1,126	(608,827)

Share of profit of associates and joint ventures, net				7,143	7,143
Segment results	29,315	3,246	528	8,582	41,671
Income tax					(8,919)
Net profit					32,752
Attributable to					
- Equity holders of the Company					32,253
- Non-controlling interests					499
Other comprehensive income attributable to equity holders of the Company	(7,838)	(370)	(31)	327	(7,912)
Depreciation and amortisation	1,513	351	216	160	2,240

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CHINA LIFE INSURANCE COMPANY LIMITED

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5 SEGMENT INFORMATION (CONTINUED)

	As at 31 December 2017					
	Life	Health	Accident	Others	Elimination	Total
	RMB million					
Assets						
Financial assets (including cash and cash equivalents)	2,478,739	114,045	9,390	38,422		2,640,596
Others	8,402	8,149	552	161,472		178,575
Segment assets	2,487,141	122,194	9,942	199,894		2,819,171
Unallocated						
Property, plant and equipment						42,707
Others						35,713
Total						2,897,591
Liabilities						
Insurance contracts	1,914,597	102,190	8,346			2,025,133
Investment contracts	218,436	14,064				232,500
Securities sold under agreements to repurchase	81,163	3,832	321	1,993		87,309
Others	41,888	3,123	224	21,323		66,558
Segment liabilities	2,256,084	123,209	8,891	23,316		2,411,500
Unallocated						
Others						160,781
Total						2,572,281

CHINA LIFE INSURANCE COMPANY LIMITED

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5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2016					
	Life	Health	Accident	Others	Elimination	Total
			RMB million			
Revenues						
Gross written premiums	361,905	54,010	14,583			430,498
- Term life	3,871					
- Whole life	29,524					
- Endowment	188,415					
- Annuity	140,095					
Net premiums earned	361,649	50,590	13,991			426,230
Investment income	103,723	4,122	403	899		109,147
Net realised gains on financial assets	5,823	231	23	(39)		6,038
Net fair value gains through profit or loss	(6,436)	(255)	(25)	(378)		(7,094)
Other income	1,345	86		5,919	(890)	6,460
Including: inter-segment revenue				890	(890)	
Segment revenues	466,104	54,774	14,392	6,401	(890)	540,781
Benefits, claims and expenses						
Insurance benefits and claims expenses						
Life insurance death and other benefits	(251,155)	(1,977)	(25)			(253,157)
Accident and health claims and claim adjustment expenses		(21,958)	(5,311)			(27,269)
Increase in insurance contract liabilities	(109,767)	(16,578)	(274)			(126,619)
Investment contract benefits	(5,091)	(225)				(5,316)
Policyholder dividends resulting from participation in profits	(15,787)	(96)				(15,883)
Underwriting and policy acquisition costs	(38,459)	(6,906)	(4,441)	(2,216)		(52,022)
Finance costs	(4,395)	(174)	(17)	(181)		(4,767)
Administrative expenses	(22,248)	(4,373)	(2,899)	(2,334)		(31,854)
Other expenses	(3,666)	(256)	(467)	(1,360)	890	(4,859)
Including: inter-segment expenses	(853)	(34)	(3)		890	
Statutory insurance fund contribution	(804)	(138)	(106)			(1,048)
Segment benefits, claims and expenses	(451,372)	(52,681)	(13,540)	(6,091)	890	(522,794)

Share of profit of associates and joint ventures, net				5,855		5,855
Segment results	14,732	2,093	852	6,165		23,842
Income tax						(4,257)
Net profit						19,585
Attributable to						
- Equity holders of the Company						19,127
- Non-controlling interests						458
Other comprehensive income attributable to equity holders of the Company	(23,433)	(930)	(91)	(1,320)		(25,774)
Depreciation and amortisation	1,490	257	196	140		2,083

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CHINA LIFE INSURANCE COMPANY LIMITED

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6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Assets under construction	Leasehold improvements	Total
			RMB million			
Cost						
As at 1 January 2018	32,457	6,873	1,403	16,696	1,830	59,259
Transfers upon completion	4,889	123		(5,500)	393	(95)
Additions	85	932	282	11,416	54	12,769
Transfers into investment properties				(5,634)		(5,634)
Disposals	(169)	(270)	(345)	(76)	(86)	(946)
As at 31 December 2018	37,262	7,658	1,340	16,902	2,191	65,353
Accumulated depreciation						
As at 1 January 2018	(9,248)	(5,122)	(955)		(1,203)	(16,528)
Charge for the year	(1,196)	(578)	(151)		(212)	(2,137)
Disposals	30	257	293		38	618
As at 31 December 2018	(10,414)	(5,443)	(813)		(1,377)	(18,047)
Impairment						
As at 1 January 2018	(24)					(24)
Charge for the year				(1)		(1)
Disposals						
As at 31 December 2018	(24)			(1)		(25)
Net book value						
As at 1 January 2018	23,185	1,751	448	16,696	627	42,707
As at 31 December 2018	26,824	2,215	527	16,901	814	47,281

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CHINA LIFE INSURANCE COMPANY LIMITED

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6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Assets under construction	Leasehold improvements	Total
			RMB million			
Cost						
As at 1 January 2017	25,362	6,837	1,424	10,548	1,553	45,724
Transfers upon completion	7,073	49		(7,520)	312	(86)
Additions	70	450	174	15,747	13	16,454
Transfers into investment properties				(1,931)		(1,931)
Disposals	(48)	(463)	(195)	(148)	(48)	(902)
As at 31 December 2017	32,457	6,873	1,403	16,696	1,830	59,259
Accumulated depreciation						
As at 1 January 2017	(8,311)	(4,934)	(998)		(1,068)	(15,311)
Charge for the year	(953)	(632)	(144)		(181)	(1,910)
Disposals	16	444	187		46	693
As at 31 December 2017	(9,248)	(5,122)	(955)		(1,203)	(16,528)
Impairment						
As at 1 January 2017	(24)					(24)
Charge for the year						
Disposals						
As at 31 December 2017	(24)					(24)
Net book value						
As at 1 January 2017	17,027	1,903	426	10,548	485	30,389
As at 31 December 2017	23,185	1,751	448	16,696	627	42,707

As at 31 December 2018, the net book value of buildings above which were in process to obtain title certificates was RMB6,798 million (as at 31 December 2017: RMB6,209 million).

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CHINA LIFE INSURANCE COMPANY LIMITED

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7 INVESTMENT PROPERTIES

	Buildings RMB million
Cost	
As at 1 January 2018	**3,366**
Additions	**6,875**
Deductions	**(14)**
As at 31 December 2018	**10,227**
Accumulated depreciation	
As at 1 January 2018	**(302)**
Charge for the year	**(186)**
Deductions	**8**
As at 31 December 2018	**(480)**
Net book value	
As at 1 January 2018	**3,064**
As at 31 December 2018	**9,747**
Fair value	
As at 1 January 2018	**4,629**
As at 31 December 2018	**12,449**

	Buildings RMB million
Cost	
As at 1 January 2017	1,435
Additions	1,931
As at 31 December 2017	3,366
Accumulated depreciation	
As at 1 January 2017	(244)

Charge for the year	(58)
As at 31 December 2017	(302)
Net book value	
As at 1 January 2017	1,191
As at 31 December 2017	3,064
Fair value	
As at 1 January 2017	2,201
As at 31 December 2017	4,629

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7 INVESTMENT PROPERTIES (CONTINUED)

The Company leases part of its investment properties to its subsidiaries and charges rentals based on the areas occupied by the respective entities. These properties are categorised as property, plant and equipment of the Group in the consolidated statement of financial position.

The Group has no restrictions on the use of its investment properties and no contractual obligations to each investment property purchased, constructed or developed or for repairs, maintenance and enhancements.

As at 31 December 2018, the net book value of investment properties which were in process to obtain title certificates was RMB3,407 million (as at 31 December 2017: RMB1,872 million).

The fair value of investment properties of the Group as at 31 December 2018 amounted to RMB12,449 million (as at 31 December 2017: RMB4,629 million), which was estimated by the Group having regards to valuations performed by an independent appraiser. The investment properties were classified as Level 3 in the fair value hierarchy.

The Group uses the market comparison approach as its primary method to estimate the fair value of its investment properties. Under the market comparison approach, the estimated fair value of a property is based on the average sale price of comparable properties recently sold, with consideration of the comprehensive adjustment coefficient, which is composed of a number of adjusting factors, including the time and the conditions of sale, the geographical location, age, decoration, floor area, lot size of the property and other factors.

Under the market comparison approach, an increase (decrease) in the comprehensive adjustment coefficient will result in an increase (decrease) in the fair value of investment properties.

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2018 **RMB million**	2017 RMB million
As at 1 January	**161,472**	119,766
Change of the cost	**34,229**	37,110
Share of profit or loss	**7,745**	7,143
Declared dividends	**(2,903)**	(1,862)
Other equity movements	**1,118**	(685)
As at 31 December	**201,661**	161,472

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8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

				Movement							
	Accounting method	**Cost**	**As at 31 December 2017**	**Change of the cost**	**Share of profit or loss**	**Declared dividends**	**Other equity movements**	**Provision of impairment**	**As at 31 December 2018**	**Percentage of equity interest**	**Accumulated amount of impairment**
Associates											
China Guangfa Bank Co., Ltd. (CGB) (i)	Equity Method	45,176	53,459	13,014	4,410		1,772		**72,655**	43.686%	
Sino-Ocean Group Holding Limited (Sino-Ocean) (ii)	Equity Method	11,245	13,626		269	(558)	(525)		**12,812**	29.59%	(1,010)
China Life Property & Casualty Insurance Company Limited (CLP&C)	Equity Method	6,000	8,185		43	(66)	(199)		**7,963**	40.00%	
COFCO Futures Company Limited (COFCO Futures)	Equity Method	1,339	1,466		35				**1,501**	35.00%	
Sinopec Sichuan to East China Gas Pipeline Co., Ltd. (Pipeline Company)	Equity Method	20,000	21,347		1,106	(1,059)	(7)		**21,387**	43.86%	
China United Network Communications Limited (China Unicom) (iii)	Equity Method	21,829	21,783		345	(63)	(173)		**21,892**	10.29%	
Others (v)	Equity Method	21,984	9,732	12,036	1,685	(444)	515		**23,524**		
Subtotal		127,573	129,598	25,050	7,893	(2,190)	1,383		**161,734**		(1,010)

Joint ventures										
Joy City Commercial Property Fund L.P. (Joy City) (iv)	Equity Method	6,281	6,139		36	(388)		**5,787**	66.67%	
Mapleleaf Century Limited (MCL) (iv)	Equity Method	7,639	5,332	1,495	(766)		(320)	**5,741**	75.00%	
Others (v)	Equity Method	28,914	20,403	7,684	582	(325)	55	**28,399**		
Subtotal		42,834	31,874	9,179	(148)	(713)	(265)	**39,927**		
Total		**170,407**	**161,472**	**34,229**	**7,745**	**(2,903)**	**1,118**	**201,661**		**(1,010)**

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8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(i) On 14 December 2018, the Company subscribed for 1,871,875,329 additional shares offering of CGB at RMB6.9511 per share, with a total consideration including the transaction fees of RMB13,014 million. Upon the completion of the transaction, the Company held 43.686% equity of CGB after the capital increase, and the proportion remained unchanged.

On 1 January 2019, CGB began to adopt IFRS 9 and adjusted its equity to reflect the accumulated impact of adopting IFRS 9. The adoption of IFRS 9 by CGB has an impact on the Group s equity as at 1 January 2019 accordingly, which is still under evaluation.

(ii) The 2017 final dividend of HKD0.155 in cash per ordinary share was approved and declared in the Annual General Meeting of Sino-Ocean on 18 May 2018. The Company received a cash dividend amounting to RMB284 million. The 2018 interim dividend of HKD0.140 in cash per ordinary share was approved and declared by the board of directors of Sino-Ocean on 22 August 2018. The Company received a cash dividend amounting to RMB274 million.

Sino-Ocean, the Group s associate is listed in Hong Kong. On 31 December 2018, the stock price of Sino-Ocean was HKD3.45 per share. As at 31 December 2017, an impairment loss of RMB1.01 billion for the investment in Sino-Ocean had been made by the Group. The Group performed an impairment test to this investment on 31 December 2018. The recoverable amount of this investment valued by the Group approximated to the carrying amount and therefore no impairment loss was made for this investment in 2018.

(iii) The 2017 final dividend of RMB0.0198 in cash per ordinary share was approved and declared in the Annual General Meeting of China Unicom on 9 May 2018. The Company received a cash dividend amounting to RMB63 million. China Unicom s share price on 28 December 2018 (the last trading day of 2018) was RMB5.17 per share.

(iv) Glorious Fortune Forever Limited, a subsidiary of the Company, invested in the partnership Joy City, holding 66.67% of the total partnership interest. China Century Core Fund Limited, a subsidiary of the Company, invested in the partnership MCL, holding 75.00% of the total partnership interest. According to the partnership agreement, Glorious Fortune Forever Limited and China Century Core Fund Limited, as limited partners of such partnerships, cannot control these partnerships on their own, but has joint control with the general partners. Therefore, Joy City and MCL are accounted for as joint ventures of the Group.

(v) The Group invested in real estate, industrial logistics assets and other industries through these enterprises.

(vi) Except for a 36-month restricted period of the investment in China Unicom, the Group has no significant restrictions to transact other investments in associates and joint ventures.

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8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

As at 31 December 2018, the major associates and joint ventures of the Group are as follows:

Name	**Country of incorporation**	**Percentage of equity interest held**
Associates		
CGB	**PRC**	**43.686%**
Sino-Ocean	**Hong Kong, PRC**	**29.59%**
CLP&C	**PRC**	**40.00%**
COFCO Futures	**PRC**	**35.00%**
Pipeline Company	**PRC**	**43.86%**
China Unicom	**PRC**	**10.29%**
Joint ventures		
Joy City	**The British Cayman Islands**	**66.67%**
MCL	**The British Virgin Islands**	**75.00%**

As at 31 December 2017, the major associates and joint ventures of the Group are as follows:

Name	Country of incorporation	Percentage of equity interest held
Associates		
CGB	PRC	43.686%
Sino-Ocean	Hong Kong, PRC	29.79%
CLP&C	PRC	40.00%
COFCO Futures	PRC	35.00%
Pipeline Company	PRC	43.86%
China Unicom	PRC	10.56%
Joint ventures		
Joy City	The British Cayman Islands	66.67%
MCL	The British Virgin Islands	75.00%

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8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The following table illustrates the financial information of the Group s major associates and joint ventures as at 31 December 2018 and for the year ended 31 December 2018:

	CGB RMB million	Sino-Ocean RMB million	CLP&C RMB million	COFCO Futures RMB million	Pipeline Company RMB million	China Unicom RMB million	Joy City RMB million	MCL RMB million
Total assets	2,373,291	249,362	83,561	8,986	36,467	541,762	10,243	22,266
Total liabilities	2,214,781	186,224	63,654	6,246	1,043	224,822	265	11,897
Total equity	158,510	63,138	19,907	2,740	35,424	316,940	9,978	10,369
Total equity attributable to equity holders of the associates and joint ventures	158,510	48,385	19,907	2,732	35,424	140,144	9,978	10,369
Total adjustments (i)	933	(4,938)			470	17,926	(1,297)	(2,714)
Total equity attributable to equity holders of the associates and joint ventures after adjustments	159,443	43,447	19,907	2,732	35,894	158,070	8,681	7,655
Proportion of the Group s ownership	43.686%	29.59%	40.00%	35.00%	43.86%	10.29%	66.67%	75.00%
Gross carrying value of the investments	72,655	13,822	7,963	1,501	21,387	21,892	5,787	5,741
Impairment		(1,010)						
Net carrying value of the investments	72,655	12,812	7,963	1,501	21,387	21,892	5,787	5,741

Total revenues	**59,279**	**48,821**	**65,564**	**643**	**4,746**	**290,877**	**457**	**458**
Net profit/(loss)	**10,707**	**4,666**	**121**	**98**	**2,545**	**9,301**	**438**	**609**
Other comprehensive income	**4,160**	**(1,518)**	**(503)**	**1**		**(245)**		
Total comprehensive income	**14,867**	**3,148**	**(382)**	**99**	**2,545**	**9,056**	**438**	**609**

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8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The following table illustrates the financial information of the Group s major associates and joint ventures as at 31 December 2017 and for the year ended 31 December 2017:

	CGB RMB million	Sino-Ocean RMB million	CLP&C RMB million	COFCO Futures RMB million	Pipeline Company RMB million	China Unicom RMB million	Joy City RMB million	MCL RMB million
Total assets	2,072,915	191,894	79,601	10,651	36,243	573,617	10,353	20,776
Total liabilities	1,959,069	133,166	59,138	8,020	934	266,599	283	12,598
Total equity	113,846	58,728	20,463	2,631	35,309	307,018	10,070	8,178
Total equity attributable to equity holders of the associates and joint ventures	113,846	48,502	20,463	2,631	35,309	135,393	10,070	8,178
Total adjustments (i)	2,267	(2,617)			676		(861)	(1,069)
Total equity attributable to equity holders of the associates and joint ventures after adjustments	116,113	45,885	20,463	2,631	35,985	135,393	9,209	7,109
Proportion of the Group s ownership	43.686%	29.79%	40.00%	35.00%	43.86%	10.56%	66.67%	75.00%
Gross carrying value of the investments	53,459	14,636	8,185	1,466	21,347	21,783	6,139	5,332
Impairment		(1,010)						
Net carrying value of the investments	53,459	13,626	8,185	1,466	21,347	21,783	6,139	5,332

Total revenues	50,531	49,236	61,142	399	5,644	274,829	859	185
Net profit/(loss)	10,204	6,259	820	135	3,055	1,684	840	(301)
Other comprehensive income	(2,332)	912	(35)			(230)		
Total comprehensive income	7,872	7,171	785	135	3,055	1,454	840	(301)

(i) Including adjustments for the difference of accounting policies, fair value and others.

The Group had no contingent liabilities with the associates and joint ventures as at 31 December 2018 and 31 December 2017. The Group had a capital contribution commitment of RMB20,768 million with joint ventures as at 31 December 2018 (as at 31 December 2017: RMB20,996 million). The capital contribution commitment amount has been included in the capital commitments in Note 39.

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FOR THE YEAR ENDED 31 DECEMBER 2018

9 FINANCIAL ASSETS

9.1 Held-to-maturity securities

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Debt securities		
Government bonds	**179,943**	125,866
Government agency bonds	**266,986**	241,808
Corporate bonds	**212,709**	200,869
Subordinated bonds/debts	**147,079**	148,494
Total	**806,717**	717,037
Debt securities		
Listed in Mainland, PRC	**109,597**	91,631
Listed in Hong Kong, PRC	**130**	136
Listed in Singapore	**20**	19
Unlisted(i)	**696,970**	625,251
Total	**806,717**	717,037

(i) Unlisted debt securities include those traded on the Chinese interbank market.

As at 31 December 2018, an impairment loss of RMB42 million (2017: nil) for the investment of held-to-maturity securities has been made by the Group. In 2018, the Group did not sell the unexpired held-to-maturity securities (2017: same).

Debt securities - fair value hierarchy	**As at 31 December 2018**			As at 31 December 2017		
	Level 1 RMB million	**Level 2 RMB million**	**Total RMB million**	Level 1 RMB million	Level 2 RMB million	Total RMB million

Government bonds	**15,387**	**175,622**	**191,009**	33,496	90,216	123,712
Government agency bonds	**72,455**	**204,029**	**276,484**	20,281	203,031	223,312
Corporate bonds	**10,965**	**209,302**	**220,267**	1,360	195,177	196,537
Subordinated bonds/debts		**155,783**	**155,783**		149,423	149,423
Total	**98,807**	**744,736**	**843,543**	55,137	637,847	692,984

Debt securities - Contractual maturity schedule	**As at 31 December 2018 RMB million**	As at 31 December 2017 RMB million
Maturing:		
Within one year	**16,907**	22,496
After one year but within five years	**137,840**	112,932
After five years but within ten years	**279,086**	288,496
After ten years	**372,884**	293,113
Total	**806,717**	717,037

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9 FINANCIAL ASSETS (CONTINUED)

9.2 Loans

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Policy loans (i)	**142,165**	107,957
Other loans	**308,086**	275,547
Total	**450,251**	383,504

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Maturing:		
Within one year	**167,498**	128,856
After one year but within five years	**138,939**	132,575
After five years but within ten years	**99,501**	90,556
After ten years	**44,313**	31,517
Total	**450,251**	383,504

(i) As at 31 December 2018, maturities of policy loans were within 6 months (as at 31 December 2017: same).

9.3 Term deposits

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Maturing:		
Within one year	**158,920**	97,076

After one year but within five years	**323,021**	349,524
After five years but within ten years	**77,400**	2,800
Total	**559,341**	449,400

As at 31 December 2018, the Group s term deposits of RMB16,691 million (as at 31 December 2017: same) were deposited in banks to back overseas borrowings and are restricted to use.

In September 2016, CL Hotel Investor, L.P. and Glorious Fortune Forever Limited, subsidiaries of the Company, entered into a loan agreement with the New York and Seoul branches of Agricultural Bank of China, respectively. In December 2016, Sunny Bamboo Limited and Golden Bamboo Limited, subsidiaries of the Company, entered into a loan agreement with the Hong Kong branch of Agricultural Bank of China. The Company arranged deposits with Beijing Xicheng branch of Agricultural Bank of China to back these loans. As at 31 December 2018, the amounts of such term deposits were RMB6,861 million, RMB7,080 million and RMB750 million, respectively (as at 31 December 2017: same).

On 6 December 2017, New Fortune Wisdom Limited and New Capital Wisdom Limited, subsidiaries of Ningbo Meishan Bonded Port Area Guo Yang Guo Sheng Investment Partnership (Limited Partnership) (Guo Yang Guo Sheng), a subsidiary of the Company, entered into a loan agreement with a subsidiary of Agricultural Bank of China. Guo Yang Guo Sheng arranged deposits with Beijing Xicheng branch of the Agricultural Bank of China to back these loans. As at 31 December 2018, the amounts of such term deposits and current deposits were RMB2,000 million (as at 31 December 2017: same) and RMB1,274 million (as at 31 December 2017: RMB1,247 million), respectively.

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FOR THE YEAR ENDED 31 DECEMBER 2018

9 FINANCIAL ASSETS (CONTINUED)

9.4 Statutory deposits - restricted

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Contractual maturity schedule:		
Within one year	**500**	3,933
After one year but within five years	**5,833**	2,400
Total	**6,333**	6,333

Insurance companies in China are required to deposit an amount that equals 20% of their registered capital with banks in compliance with regulations of the CBIRC. These funds may not be used for any purpose other than for paying off debts during liquidation proceedings.

9.5 Available-for-sale securities

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Available-for-sale securities, at fair value		
Debt securities		
Government bonds	**28,440**	24,632
Government agency bonds	**180,273**	157,765
Corporate bonds	**185,720**	197,133
Subordinated bonds/debts	**21,514**	13,495
Others (i)	**80,643**	62,099
Subtotal	**496,590**	455,124

Equity securities		
Funds	**92,304**	91,344
Common stocks	**143,469**	129,424
Preferred stocks	**32,707**	31,651
Wealth management products	**31,348**	40,327
Others (i)	**53,479**	42,027
Subtotal	**353,307**	334,773
Available-for-sale securities, at cost		
Equity securities		
Others (i)	**20,636**	20,837
Total	**870,533**	810,734

(i) Other available-for-sale securities mainly include unlisted equity investments, private equity funds and trust schemes.

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FOR THE YEAR ENDED 31 DECEMBER 2018

9 FINANCIAL ASSETS (CONTINUED)

9.5 Available-for-sale securities (continued)

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Debt securities		
Listed in Mainland, PRC	**53,933**	44,929
Unlisted	**442,657**	410,195
Subtotal	**496,590**	455,124
Equity securities		
Listed in Mainland, PRC	**102,190**	93,384
Listed in Hong Kong, PRC	**55,066**	41,507
Listed overseas	**162**	132
Unlisted	**216,525**	220,587
Subtotal	**373,943**	355,610
Total	**870,533**	810,734

Unlisted debt securities include those traded on the Chinese interbank market and those not publicly traded. Unlisted equity securities include those not traded on stock exchanges, which are mainly open-ended funds with public market price quotation and wealth management products.

Debt securities - Contractual maturity schedule	**As at 31 December 2018 RMB million**	As at 31 December 2017 RMB million
Maturing:		
Within one year	**11,511**	42,410
After one year but within five years	**170,606**	153,630
After five years but within ten years	**214,826**	167,552
After ten years	**99,647**	91,532

Total	**496,590**	455,124

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CHINA LIFE INSURANCE COMPANY LIMITED

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9 FINANCIAL ASSETS (CONTINUED)

9.6 Securities at fair value through profit or loss

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Debt securities		
Government bonds	**118**	2,081
Government agency bonds	**6,760**	9,084
Corporate bonds	**79,774**	66,915
Others	**1,351**	4,811
Subtotal	**88,003**	82,891
Equity securities		
Funds	**13,967**	9,892
Common stocks	**35,241**	44,026
Wealth management products	**1,506**	
Subtotal	**50,714**	53,918
Total	**138,717**	136,809
Debt securities		
Listed in Mainland, PRC	**39,145**	26,776
Listed in Hong Kong, PRC	**108**	
Listed overseas	**202**	292
Unlisted	**48,548**	55,823
Subtotal	**88,003**	82,891
Equity securities		
Listed in Mainland, PRC	**31,962**	39,442
Listed in Hong Kong, PRC	**97**	79
Listed overseas	**6,552**	7,187
Unlisted	**12,103**	7,210

Subtotal	**50,714**	53,918
Total	**138,717**	136,809

Unlisted debt securities include those traded on the Chinese interbank market and those not publicly traded. Unlisted equity securities include those not traded on stock exchanges, which are mainly open-ended funds with public market price quotation.

9.7 Securities purchased under agreements to resell

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Maturing:		
Within 30 days	**9,905**	36,055
After 30 but within 90 days		130
Total	**9,905**	36,185

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CHINA LIFE INSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2018

9 FINANCIAL ASSETS (CONTINUED)

9.8 Accrued investment income

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Bank deposits	19,805	24,942
Debt securities	23,486	21,423
Others	5,111	4,276
Total	48,402	50,641
Current	47,834	44,789
Non-current	568	5,852
Total	48,402	50,641

10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below presents the carrying value and estimated fair value of major financial assets and liabilities, and investment contracts:

	Carrying value		Estimated fair value (i)	
	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Held-to-maturity securities (ii)	806,717	717,037	843,543	692,984
Loans (iii)	450,251	383,504	458,669	375,899
Term deposits	559,341	449,400	559,341	449,400
Statutory deposits - restricted	6,333	6,333	6,333	6,333
Available-for-sale securities, at fair value	849,897	789,897	849,897	789,897
Securities at fair value through profit or loss	138,717	136,809	138,717	136,809

Securities purchased under agreements to resell	**9,905**	36,185	**9,905**	36,185
Cash and cash equivalents	**50,809**	48,586	**50,809**	48,586
Investment contracts (iii)	**(255,434)**	(232,500)	**(245,803)**	(229,222)
Financial liabilities at fair value through profit or loss	**(2,680)**	(2,529)	**(2,680)**	(2,529)
Derivative financial liabilities	**(1,877)**		**(1,877)**	
Securities sold under agreements to repurchase	**(192,141)**	(87,309)	**(192,141)**	(87,309)
Interest-bearing loans and borrowings	**(20,150)**	(18,794)	**(20,150)**	(18,794)

(i) The estimates and judgements to determine the fair value of financial assets are described in Note 3.2.

(ii) The fair value of held-to-maturity securities is determined by reference with other debt securities which are measured by fair value. Please refer to Note 4.4.

(iii) Investment contracts at fair value through profit or loss have quoted prices in active markets, and therefore, their fair value was classified as Level 1.

The fair value of policy loans approximated its carrying value. The fair values of other loans and investment contracts at amortised cost were determined using valuation techniques, with consideration of the present value of expected cash flows arising from contracts using a risk-adjusted discount rate, allowing for the risk-free rate available on the valuation date, credit risk and risk margin associated with the future cash flows. The fair values of other loans and investment contracts at amortised cost were classified as Level 3.

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11 PREMIUMS RECEIVABLE

As at 31 December 2018, the carrying value of premiums receivable within one year was RMB15,607 million (as at 31 December 2017: RMB14,079 million).

12 REINSURANCE ASSETS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Long-term insurance contracts ceded (Note 14)	**3,123**	2,351
Due from reinsurance companies	**731**	64
Ceded unearned premiums (Note 14)	**370**	527
Claims recoverable from reinsurers (Note 14)	**140**	104
Total	**4,364**	3,046
Current	**1,241**	695
Non-current	**3,123**	2,351
Total	**4,364**	3,046

13 OTHER ASSETS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Investments receivable and prepaid	**8,885**	15,466
Land use rights	**7,906**	6,201
Disbursements	**4,162**	2,705
Automated policy loans	**3,269**	3,050
Due from related parties	**725**	987
Prepayments to constructors	**504**	403
Others	**7,986**	5,140

Total	**33,437**	33,952
Current	**23,533**	25,933
Non-current	**9,904**	8,019
Total	**33,437**	33,952

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CHINA LIFE INSURANCE COMPANY LIMITED

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14 INSURANCE CONTRACTS

(a) Process used to decide on assumptions

(i) For the insurance contracts of which future insurance benefits are affected by investment yields of the corresponding investment portfolios, the discount rate assumption is based on expected investment returns of the asset portfolio backing these liabilities, considering the impacts of time value on reserves.

In developing discount rate assumptions, the Group considers investment experience, the current investment portfolio and trend of the relevant yield curves. The assumed discount rates reflect the future economic outlook as well as the Group s investment strategy. The assumed discount rates with risk margin are as follows:

	Discount rate assumptions
As at 31 December 2018	4.85%
As at 31 December 2017	4.85%

For the insurance contracts of which future insurance benefits are not affected by investment yields of the corresponding investment portfolios, the discount rate assumption is based on the Yield curve of reserve computation benchmark for insurance contracts , published on the China Bond website with consideration of liquidity spreads, taxation and other relevant factors. The assumed spot discount rates with risk margin for the past two years are as follows:

	Discount rate assumptions
As at 31 December 2018	3.47%~4.86%
As at 31 December 2017	3.31%~4.86%

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

(ii) The mortality and morbidity assumptions are based on the Group s historical mortality and morbidity experience. The assumed mortality rates and morbidity rates vary with the age of the insured and contract type.

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

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

Risk margin is considered in the Group s mortality and morbidity assumptions.

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14 INSURANCE CONTRACTS (CONTINUED)

(a) Process used to decide on assumptions (continued)

(iii) Expense assumptions are based on expected unit costs with the consideration of previous expense studies and future trends. Expense assumptions are affected by certain factors such as future inflation and market competition which bring uncertainty to these assumptions. The Group determines expense assumptions based on information obtained at the end of each reporting period and risk margin. Components of expense assumptions include the cost per policy and percentage of premium as follows:

	Individual Life		Group Life	
	RMB Per Policy	**% of Premium**	**RMB Per Policy**	**% of Premium**
As at 31 December 2018	45.00	0.85%~0.90%	25.00	0.90%
As at 31 December 2017	45.00	0.85%~0.90%	25.00	0.90%

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

(v) The Group applied a consistent method to determine risk margin. The Group considers risk margin for discount rate, mortality and morbidity and expense assumptions to compensate for the uncertain amount and timing of future cash flows. When determining risk margin, the Group considers historical experience, future expectations and other factors. The Group determines the risk margin level by itself as the regulations have not imposed any specific requirement on it.

The Group adopted a consistent process to decide on assumptions for the insurance contracts disclosed in this note. On each reporting date, the Group reviews the assumptions for reasonable estimates of liability and risk margin, with consideration of all available information, and taking into account the Group s historical experience and expectation of future events.

(b) Net liabilities of insurance contracts

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Gross		
Long-term insurance contracts	**2,189,794**	1,999,066
Short-term insurance contracts		
- Claims and claim adjustment expenses	**14,805**	13,778
- Unearned premiums	**11,432**	12,289
Total, gross	**2,216,031**	2,025,133
Recoverable from reinsurers		
Long-term insurance contracts (Note 12)	**(3,123)**	(2,351)
Short-term insurance contracts		
- Claims and claim adjustment expenses (Note 12)	**(140)**	(104)
- Unearned premiums (Note 12)	**(370)**	(527)
Total, ceded	**(3,633)**	(2,982)
Net		
Long-term insurance contracts	**2,186,671**	1,996,715
Short-term insurance contracts		
- Claims and claim adjustment expenses	**14,665**	13,674
- Unearned premiums	**11,062**	11,762
Total, net	**2,212,398**	2,022,151

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14 INSURANCE CONTRACTS (CONTINUED)

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

The table below presents movements in claims and claim adjustment expense reserve:

	2018 **RMB million**	2017 RMB million
Notified claims	**2,672**	2,085
Incurred but not reported	**11,106**	9,453
Total as at 1 January - Gross	**13,778**	11,538
Cash paid for claims settled		
- Cash paid for current year claims	**(27,165)**	(21,404)
- Cash paid for prior year claims	**(12,876)**	(10,460)
Claims incurred		
- Claims arising in current year	**40,601**	33,926
- Claims arising in prior years	**467**	178
Total as at 31 December - Gross	**14,805**	13,778
Notified claims	**2,536**	2,672
Incurred but not reported	**12,269**	11,106
Total as at 31 December - Gross	**14,805**	13,778

The table below presents movements in unearned premium reserves:

	2018 **RMB million**			2017 RMB million		
	Gross	**Ceded**	**Net**	Gross	Ceded	Net
As at 1 January	**12,289**	**(527)**	**11,762**	10,492	(125)	10,367
Increase	**11,432**	**(370)**	**11,062**	12,289	(527)	11,762
Release	**(12,289)**	**527**	**(11,762)**	(10,492)	125	(10,367)

As at 31 December	**11,432**	**(370)**	**11,062**	12,289	(527)	11,762

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14 INSURANCE CONTRACTS (CONTINUED)

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

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

	2018	2017
	RMB million	RMB million
As at 1 January	**1,999,066**	1,825,956
Premiums	**480,496**	464,898
Release of liabilities (i)	**(385,761)**	(379,262)
Accretion of interest	**99,618**	78,232
Change in assumptions		
- Change in discount rates	**(6,020)**	6,599
- Change in other assumptions (ii)	**2,946**	2,424
Other movements	**(551)**	219
As at 31 December	**2,189,794**	1,999,066

(i) The release of liabilities mainly consists of release due to death or other termination and related expenses, release of residual margin and change of reserves for claims and claim adjustment expenses.

(ii) For the year ended 31 December 2018, the change in other assumptions was mainly caused by the change in morbidity rate assumptions of certain products, which increased insurance contract liabilities by RMB3,877 million. This change reflected the Group s most recent experience and future expectations about the morbidity rates as at the reporting date. Changes in assumptions other than morbidity rates decreased insurance contract liabilities by RMB931 million.

For the year ended 31 December 2017, the change in other assumptions was mainly caused by the change in morbidity rate assumptions of certain products, which increased insurance contract liabilities by RMB1,718 million. This change reflected the Group s most recent experience and future expectations about the morbidity rates as at the reporting date. Changes in assumptions other than morbidity rates increased insurance contract liabilities by RMB706 million.

15 INVESTMENT CONTRACTS

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Investment contracts with DPF at amortised cost	**59,129**	57,153
Investment contracts without DPF		
- At amortised cost	**196,296**	175,335
- At fair value through profit or loss	**9**	12
Total	**255,434**	232,500

The table below presents movements of investment contracts with DPF:

	2018 RMB million	2017 RMB million
As at 1 January	**57,153**	53,688
Deposits received	**4,096**	4,829
Deposits withdrawn, payments on death and other benefits	**(3,318)**	(2,510)
Policy fees deducted from account balances	**(38)**	(37)
Interest credited	**1,236**	1,183
As at 31 December	**59,129**	57,153

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16 INTEREST-BEARING LOANS AND BORROWINGS

	Maturity date	Interest rate	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Guaranteed loans	17 June 2019	3.54%	**2,385**	2,413
Guaranteed loans	27 September 2019	2.30%	**6,657**	6,338
Guaranteed loans	30 September 2019	2.40%	**6,451**	6,142
Guaranteed loans	11 January 2018	1.495%		780
Guaranteed loans	11 January 2019	1.50%	**993**	
Credit loans	6 December 2020	EURIBOR + 3.80%(i)	**3,139**	3,121
Credit loans	18 January 2021	2.50%	**525**	
Total			**20,150**	18,794

(i) 3.80% when EURIBOR is negative.

17 DERIVATIVE FINANCIAL LIABILITIES

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Forward contract	**1,877**	

Note: The derivative financial liability of the Company is a forward contract to purchase equity securities. Its fair value is based on active quoted price of the equity security with consideration of liquidity discount, which is classified as Level 3.

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18 SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Interbank market	**125,788**	75,002
Stock exchange market	**66,353**	12,307
Total	**192,141**	87,309
Maturing:		
Within 30 days	**192,141**	87,309
Total	**192,141**	87,309

As at 31 December 2018, bonds with a carrying value of RMB139,784 million (as at 31 December 2017: RMB79,543 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the interbank market.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool with fair value converted at a standard rate pursuant to the stock exchange s regulation which should be no less than the balance of the related repurchase transaction. As at 31 December 2018, the carrying value of securities deposited in the collateral pool was RMB174,323 million (as at 31 December 2017: RMB139,727 million). The collateral is restricted from trading during the period of the repurchase transaction.

19 OTHER LIABILITIES

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Interest payable to policyholders	**11,739**	9,614
Salary and welfare payable	**11,199**	10,129
Payable to the third-party holders of consolidated structured entities	**9,407**	6,252
Brokerage and commission payable	**5,268**	5,659
Payable to constructors	**3,479**	2,668

Agent deposits	**1,793**	1,906
Tax payable	**666**	689
Stock appreciation rights (Note 30)	**490**	833
Interest payable of debt instruments	**252**	127
Others	**14,133**	9,553
Total	**58,426**	47,430
Current	**58,426**	47,430
Non-current		
Total	**58,426**	47,430

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20 STATUTORY INSURANCE FUND

As required by the CIRC Order [2008] No. 2, *Measures for Administration of Statutory Insurance Fund*, all insurance companies have to pay the statutory insurance fund contribution from 1 January 2009. The Group is subject to the statutory insurance fund contribution, (i) at 0.15% and 0.05% of premiums and accumulated policyholder deposits from life policies with guaranteed benefits and life policies without guaranteed benefits, respectively; (ii) at 0.8% and 0.15% of premiums from short-term health policies and long-term health policies, respectively; (iii) at 0.8% of premiums from accident insurance contracts, at 0.08% and 0.05% of accumulated policyholder deposits from accident investment contracts with guaranteed benefits and without guaranteed benefits, respectively. When the accumulated statutory insurance fund contributions reach 1% of total assets, no additional contribution to the statutory insurance fund is required.

21 INVESTMENT INCOME

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Debt securities			
- held-to-maturity securities	**34,657**	30,669	24,854
- available-for-sale securities	**22,991**	19,608	17,499
- at fair value through profit or loss	**3,869**	3,618	5,683
Equity securities			
- available-for-sale securities	**16,492**	27,019	19,744
- at fair value through profit or loss	**1,284**	920	527
Bank deposits	**22,699**	23,827	27,851
Loans	**22,894**	16,320	12,018
Securities purchased under agreements to resell	**281**	746	971
Total	**125,167**	**122,727**	**109,147**

For the year ended 31 December 2018, the interest income included in investment income was RMB107,391 million (2017: RMB94,788 million, 2016: RMB88,876 million). All interest income was accrued using the effective interest method.

22 NET REALISED GAINS ON FINANCIAL ASSETS

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Debt securities			
Realised gains	**399**	(9)	189
Impairment	**(42)**	(114)	(143)
Subtotal	**357**	(123)	46
Equity securities			
Realised gains	**(11,785)**	2,808	8,505
Impairment	**(8,163)**	(2,643)	(2,513)
Subtotal	**(19,948)**	165	5,992
Total	**(19,591)**	42	6,038

Net realised gains on financial assets are from available-for-sale securities and held-to-maturity securities.

During the year ended 31 December 2018, the Group recognised an impairment charge of RMB4,542 million (2017: RMB619 million, 2016: RMB1,615 million) of available-for-sale funds, an impairment charge of RMB3,621 million (2017: RMB2,024 million, 2016: RMB898 million) of available-for-sale common stocks, no impairment of available-for-sale debt securities (2017: RMB114 million, 2016: RMB143 million) and an impairment charge of RMB42 million (2017: nil, 2016: nil) of held-to-maturity securities, for which the Group determined that objective evidence of impairment existed.

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23 NET FAIR VALUE GAINS THROUGH PROFIT OR LOSS

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Debt securities	**2,006**	(1,542)	(918)
Equity securities	**(18,938)**	8,179	(6,319)
Stock appreciation rights	**343**	(179)	191
Financial liabilities at fair value through profit or loss	**188**	(275)	(48)
Derivative financial liabilities	**(1,877)**		
Total	**(18,278)**	6,183	(7,094)

24 INSURANCE BENEFITS AND CLAIMS EXPENSES

	Gross	**Ceded**	**Net**
	RMB million	**RMB million**	**RMB million**
For the year ended 31 December 2018			
Life insurance death and other benefits	**250,627**	**(1,891)**	**248,736**
Accident and health claims and claim adjustment expenses	**41,056**	**(504)**	**40,552**
Increase in insurance contract liabilities	**190,703**	**(772)**	**189,931**
Total	**482,386**	**(3,167)**	**479,219**
For the year ended 31 December 2017			
Life insurance death and other benefits	260,853	(1,145)	259,708
Accident and health claims and claim adjustment expenses	34,101	(283)	33,818
Increase in insurance contract liabilities	173,085	(568)	172,517
Total	468,039	(1,996)	466,043
For the year ended 31 December 2016			
Life insurance death and other benefits	253,824	(667)	253,157

Accident and health claims and claim adjustment expenses	27,519	(250)	27,269
Increase in insurance contract liabilities	127,156	(537)	126,619
Total	408,499	(1,454)	407,045

25 INVESTMENT CONTRACT BENEFITS

Benefits of investment contracts are mainly the interest credited to investment contracts.

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26 FINANCE COSTS

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Interest expenses for securities sold under agreements to repurchase	**3,565**	3,144	1,460
Interest expenses for interest-bearing loans and borrowings	**551**	424	181
Interest expenses for bonds payable		1,033	3,126
Total	**4,116**	4,601	4,767

27 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting) the following:

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Employee salaries and welfare costs	**19,268**	18,741	15,955
Housing benefits	**1,061**	933	838
Contribution to the defined contribution pension plan	**2,531**	2,357	1,798
Depreciation and amortisation	**2,638**	2,240	2,083
Foreign exchange losses/(gains)	**194**	(52)	(582)
Remuneration in respect of audit services provided by auditors	**59**	59	58

28 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority.

(a) The amount of taxation charged to net profit represents:

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Current taxation - Enterprise income tax	**6,397**	9,457	5,200
Deferred taxation	**(4,412)**	(538)	(943)
Total tax charges	**1,985**	8,919	4,257

(b) The reconciliation between the Group s effective tax rate and the statutory tax rate of 25% in the PRC (2017: 25%, 2016: 25%) is as follows:

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Profit before income tax	**13,921**	41,671	23,842
Tax computed at the statutory tax rate	**3,480**	10,418	5,961
Non-taxable income (i)	**(7,095)**	(7,847)	(6,080)
Expenses not deductible for tax purposes (i)	**5,319**	6,105	4,259
Unused tax losses	**25**	6	58
Tax losses utilised from previous periods	**(86)**	(15)	(49)
Others	**342**	252	108
Income tax at the effective tax rate	**1,985**	8,919	4,257

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28 TAXATION (CONTINUED)

(b) The reconciliation between the Group s effective tax rate and the statutory tax rate of 25% in the PRC (2017: 25%, 2016: 25%) is as follows (continued):

(i) Non-taxable income mainly includes interest income from government bonds, and dividend income from applicable equity securities, etc. Expenses not deductible for tax purposes mainly include brokerages, commissions, donations and other expenses that do not meet the criteria for deduction according to the relevant tax regulations.

(c) As at 31 December 2018 and 2017, deferred income tax was calculated in full on temporary differences under the liability method using the principal tax rate of 25%. The movements in deferred income tax assets and liabilities during the year are as follows:

Deferred tax assets/(liabilities)

	Insurance RMB million (i)	**Investments RMB million** (ii)	**Others RMB million** (iii)	**Total RMB million**
As at 1 January 2017	(6,408)	(2,975)	1,615	(7,768)
(Charged)/credited to net profit	1,072	(1,279)	745	538
(Charged)/credited to other comprehensive income				
- Available-for-sale securities		3,759		3,759
- Portion of fair value changes on available-for-sale securities attributable to participating policyholders	(1,401)			(1,401)
- Others		1		1
As at 31 December 2017	(6,737)	(494)	2,360	(4,871)
As at 1 January 2018	**(6,737)**	**(494)**	**2,360**	**(4,871)**
(Charged)/credited to net profit	**1,421**	**2,713**	**278**	**4,412**
(Charged)/credited to other comprehensive income				
- Available-for-sale securities		**1,673**		**1,673**

- Portion of fair value changes on available-for-sale securities attributable to participating policyholders	**8**			**8**
- Others		**35**		**35**
As at 31 December 2018	**(5,308)**	**3,927**	**2,638**	**1,257**

(i) The deferred tax liabilities arising from the insurance category are mainly related to the change of long-term insurance contract liabilities at 31 December 2008 as a result of the first time adoption of IFRSs in 2009 and the temporary differences of short-term insurance contract liabilities and policyholder dividends payable.

(ii) The deferred tax arising from the investments category is mainly related to the temporary differences of unrealised gains/(losses) on available-for-sale securities, securities at fair value through profit or loss, and others.

(iii) The deferred tax arising from the others category is mainly related to the temporary differences of employee salaries and welfare costs payable.

Unrecognised deductible tax losses of the Group amounted to RMB365 million as at 31 December 2018 (as at 31 December 2017: RMB607 million). Unrecognised deductible temporary differences of the Group amounted to RMB378 million as at 31 December 2018 (as at 31 December 2017: RMB243 million).

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28 TAXATION (CONTINUED)

(d) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Deferred tax assets:		
- deferred tax assets to be recovered after 12 months	**3,947**	1,980
- deferred tax assets to be recovered within 12 months	**6,213**	4,493
Subtotal	**10,160**	6,473
Deferred tax liabilities:		
- deferred tax liabilities to be settled after 12 months	**(7,490)**	(9,131)
- deferred tax liabilities to be settled within 12 months	**(1,413)**	(2,213)
Subtotal	**(8,903)**	(11,344)
Net deferred tax liabilities	**1,257**	(4,871)

29 EARNINGS PER SHARE

There is no difference between the basic and diluted earnings per share. The basic and diluted earnings per share for the year ended 31 December 2018 are calculated based on the net profit for the year attributable to ordinary equity holders of the Company and the weighted average of 28,264,705,000 ordinary shares (2017: same).

30 STOCK APPRECIATION RIGHTS

The Board of Directors of the Company approved, on 5 January 2006, an award of stock appreciation rights of 4.05 million units and on 21 August 2006, another award of stock appreciation rights of 53.22 million units to eligible employees. The exercise prices of the two awards were HKD5.33 and HKD6.83, respectively, the average closing price of shares in the five trading days prior to 1 July 2005 and 1 January 2006, the dates for vesting and exercise price setting purposes of this award. The exercise prices of stock appreciation rights were the average closing price of the shares in the five trading days prior to the date of the award. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the exercise price and market price of the H shares at the time of exercise.

Stock appreciation rights have been awarded in units, with each unit representing the value of one H share. No shares of common stock will be issued under the stock appreciation rights plan. According to the Company s plan, all stock appreciation rights will have an exercise period of five years from the date of award and will not be exercisable before the fourth anniversary of the date of award unless specific market or other conditions have been met. On 26 February 2010, the Board of Directors of the Company extended the exercise period of all stock appreciation rights, which is also subject to government policy.

All the stock appreciation rights awarded were fully vested as at 31 December 2018. As at 31 December 2018, there were 55.01 million units outstanding and exercisable (as at 31 December 2017: same). As at 31 December 2018, the amount of intrinsic value for the vested stock appreciation rights was RMB477 million (as at 31 December 2017: RMB820 million).

The fair value of the stock appreciation rights is estimated on the date of valuation at each reporting date using lattice-based option valuation models based on expected volatility from 20% to 25%, an expected dividend yield of no higher than 3% and a risk-free interest rate ranging from 1.01% to 1.84%.

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30 STOCK APPRECIATION RIGHTS (CONTINUED)

The Company recognised a gain of RMB343 million in the net fair value through profit or loss in the consolidated comprehensive income representing the fair value change of the rights during the year ended 31 December 2018 (2017: fair value losses of RMB179 million, 2016: fair value gains of RMB191 million). RMB477 million and RMB13 million were included in salary and staff welfare payable included under other liabilities for the units not exercised and exercised but not paid as at 31 December 2018 (as at 31 December 2017: RMB820 million and RMB13 million), respectively. There was no unrecognised compensation cost for the stock appreciation rights as at 31 December 2018 (as at 31 December 2017: nil).

31 DIVIDENDS

Pursuant to the shareholders approval at the Annual General Meeting on 6 June 2018, a final dividend of RMB0.40 (inclusive of tax) per ordinary share totalling RMB11,306 million in respect of the year ended 31 December 2017 was declared and paid in 2018. The dividend has been recorded in the consolidated financial statements for the year ended 31 December 2018.

Pursuant to the shareholders approval at the Annual General Meeting on 31 May 2017, a final dividend of RMB0.24 (inclusive of tax) per ordinary share totalling RMB6,784 million in respect of the year ended 31 December 2016 was declared and paid in 2017. The dividend has been recorded in the consolidated financial statements for the year ended 31 December 2017.

Pursuant to the shareholders approval at the Annual General Meeting on 30 May 2016, a final dividend of RMB0.42 (inclusive of tax) per ordinary share totalling RMB11,871 million in respect of the year ended 31 December 2015 was declared and paid in 2016. The dividend has been recorded in the consolidated financial statements for the year ended 31 December 2016.

A distribution of RMB384 million (inclusive of tax) to the holders of Core Tier 2 Capital Securities was approved by management in 2018 according to the authorisation by the Board of Directors, which was delegated by the General Meeting.

A distribution of RMB380 million (inclusive of tax) to the holders of Core Tier 2 Capital Securities was approved by management in 2017 according to the authorisation by the Board of Directors, which was delegated by the General Meeting.

A distribution of RMB386 million (inclusive of tax) to the holders of Core Tier 2 Capital Securities was approved by management in 2016 according to the authorization by the Board of Directors, which was delegated by the General Meeting.

Pursuant to a resolution passed at the meeting of the Board of Directors on 27 March 2019, a final dividend of RMB0.16 (inclusive of tax) per ordinary share totalling approximately RMB4,522 million for the year ended 31 December 2018 was proposed for shareholders approval at the forthcoming Annual General Meeting. The dividend has not been recorded in the consolidated financial statements for the year ended 31 December 2018.

32 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to IFRS 4 Amendments, the Company made the assessment based on the Group s financial position of 31 December 2015, concluding that the carrying amount of the Group s liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts, was significant compared to the total carrying amount of all its liabilities. And the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent. There had been no significant change in the activities of the Group since then that requires reassessment. Therefore, the Group s activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from IFRS 9.

Sino-Ocean and China Unicom, associates of the Group, have both applied IFRS 9 from 1 January 2018. According to IFRS 4 Amendments, the Group elects not to apply uniform accounting policies when using the equity method for these two associates.

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32 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (CONTINUED)

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

	Fair value as at 31 December 2018 RMB million	Fair value changes for the year ended 31 December 2018 RMB million
Held for trading financial assets	**138,717**	**(16,932)**
Financial assets that are managed and whose performance are evaluated on a fair value basis		
Other financial assets		
- Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)	**1,502,203**	**95,480**
- Financial assets with contractual terms that do not give rise on SPPI	**528,377**	**(40,447)**
Total	**2,169,297**	**38,101**

(i) Only including securities at fair value through profit or loss, loans (excluding policy loans), available-for-sale securities and held-to-maturity securities.

(b) The table below presents the credit risk exposure(ii) for aforementioned financial assets with contractual terms that give rise on SPPI:

	As at 31 December 2018 Carrying amount(iii) RMB Million
Domestic	
Rating not required(iv)	**653,328**
AAA	**787,908**
AA+	**13,026**
AA	**1,152**
AA-	**70**
Subtotal	**1,455,484**
Overseas	
A	**1,755**
A-	**493**
BBB+	**118**
BBB-	**14**
Not rated	**24**
Subtotal	**2,404**
Total	**1,457,888**

The table below presents the financial assets that are not considered to have low credit risk on the reporting date:

	As at 31 December 2018	
	Carrying amount(iii) RMB Million	Fair value RMB Million
Domestic	**14,248**	**14,539**
Overseas	**24**	**12**
Total	**14,272**	**14,551**

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32 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (CONTINUED)

(ii) Credit risk ratings for domestic assets are provided by domestic qualified external rating agencies and credit risk ratings for overseas assets are provided by overseas qualified external rating agencies.

(iii) For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

(iv) It mainly includes government bonds and policy financial bonds.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties with control relationship

Information of the parent company is as follows:

Name	Location of registration	Principal business	Relationship with the Company	Nature of ownership	Legal representative
CLIC	Beijing, China	Insurance services including receipt of premiums and payment of benefits in respect of the in-force life, health, accident and other types of personal insurance business, and the reinsurance business; holding or investing in domestic and overseas insurance companies or other financial insurance institutions; fund management business permitted by national laws and regulations or approved by the State Council	Immediate and ultimate holding company	State-owned	Wang Bin

of the People s Republic of China; and other businesses approved by insurance regulatory agencies.

(b) Subsidiaries

Refer to Note 33(f) for the basic and related information of subsidiaries.

(c) Associates and joint ventures

Refer to Note 8 for the basic and related information of associates and joint ventures.

(d) Other related parties

Significant related parties	Relationship with the Company
China Life Real Estate Co., Limited (CLRE)	Under common control of CLIC
China Life Insurance (Overseas) Company Limited (CL Overseas)	Under common control of CLIC
China Life Investment Holding Company Limited (CLI)	Under common control of CLIC
China Life Ecommerce Company Limited (CL Ecommerce)	Under common control of CLIC
China Life Enterprise Annuity Fund (EAP)	A pension fund jointly set up by the Company and others

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Registered capital of related parties with control relationship and changes during the year

Name of related party	As at 31 December 2017 million	Increase million	Decrease million	As at 31 December 2018 million
CLIC	RMB4,600			**RMB4,600**
AMC	RMB4,000			**RMB4,000**
China Life Pension Company Limited (Pension Company)	RMB3,400			**RMB3,400**
China Life (Suzhou) Pension and Retirement Investment Company Limited (Suzhou Pension Company)	RMB1,991			**RMB1,991**
CL AMP(i)	RMB588	RMB700		**RMB1,288**
CL Wealth	RMB200			**RMB200**
Shanghai Rui Chong Investment Co., Limited (Rui Chong Company)	RMB6,800			**RMB6,800**
China Life (Beijing) Health Management Co., Limited (CL Health)	RMB1,730			**RMB1,730**
China Life Franklin (Shenzhen) Equity Investment Fund Management Co., Limited (Franklin Shenzhen Company)	USD2			**USD2**
Xi an Shengyi Jingsheng Real Estate Co., Ltd. (Shengyi Jingsheng)		RMB1,131		**RMB1,131**
Dalian Hope Building Company Ltd. (Hope Building)	RMB484			**RMB484**

(i) In July 2018, AMC completed a RMB595 million capital contribution to CL AMP, while other shareholders increased RMB105 million. The total capital contribution was RMB700 million. As at 8 August 2018, CL AMP completed the business registration modification procedure for the registered capital with the amount increased from RMB588 million to RMB1,288 million. The capital increase was in the same proportion, and the percentage of holding remained unchanged.

(ii) For those subsidiaries which were not set up or invested in Mainland China or incorporated as partnership, the legal definition of registered capital is not applicable for them.

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Percentages of holding of related parties with control relationship and changes during the year

	As at 31 December 2017				As at 31 December 2018	
Shareholder	**Amount million**	**Percentage of holding**	**Increase million**	**Decrease million**	**Amount million**	**Percentage of holding**
CLIC	RMB19,324	68.37%			**RMB19,324**	**68.37%**

	As at 31 December 2017				As at 31 December 2018	
Subsidiaries	**Amount million**	**Percentage of holding**	**Increase million**	**Decrease million**	**Amount million**	**Percentage of holding**
AMC	RMB1,680	60.00% directly			**RMB1,680**	**60.00% directly**
Pension Company	RMB2,746	74.27% directly and indirectly			**RMB2,746**	**74.27% directly and indirectly**
China Life Franklin Asset Management Company Limited (AMC HK)	HKD130	50.00% indirectly			**HKD130**	**50.00% indirectly**
Suzhou Pension Company	RMB1,586	100.00% directly			**RMB1,586**	**100.00% directly**
CL AMP	RMB500	85.03% indirectly	RMB595		**RMB1,095**	**85.03% indirectly**
CL Wealth	RMB200	100.00% indirectly			**RMB200**	**100.00% indirectly**
Golden Phoenix Tree Limited		100.00% directly				**100.00% directly**
King Phoenix Tree Limited		100.00% indirectly				**100.00% indirectly**
Rui Chong Company	RMB6,800	100.00% directly			**RMB6,800**	**100.00% directly**
New Aldgate Limited	RMB1,167	100.00% directly			**RMB1,167**	**100.00% directly**
Glorious Fortune Forever Limited		100.00% directly				**100.00% directly**
CL Hotel Investor, L.P.		100.00% directly				**100.00% directly**

Golden Bamboo Limited	RMB1,734	100.00% directly	RMB259	**RMB1,993**	**100.00% directly**
Sunny Bamboo Limited	RMB1,632	100.00% directly	RMB244	**RMB1,876**	**100.00% directly**
Fortune Bamboo Limited	RMB2,176	100.00% directly	RMB259	**RMB2,435**	**100.00% directly**
China Century Core Fund Limited	USD896	100.00% indirectly	USD229	**USD 1,125**	**100.00% indirectly**
CL Health	RMB1,730	100.00% directly		**RMB1,730**	**100.00% directly**
Franklin Shenzhen Company	USD0.6	100.00% indirectly	USD1.4	**USD2**	**100.00% indirectly**

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Percentages of holding of related parties with control relationship and changes during the year (continued)

	As at 31 December 2017				As at 31 December 2018	
Subsidiaries (continued)	**Amount million**	**Percentage of holding**	**Increase million**	**Decrease million**	**Amount million**	**Percentage of holding**
Guo Yang Guo Sheng	RMB3,250	99.997% directly			**RMB3,250**	**99.997% directly**
New Capital Wisdom Limited		100.00% indirectly				**100.00% indirectly**
New Fortune Wisdom Limited		100.00% indirectly				**100.00% indirectly**
Wisdom Forever Limited Partnership	USD447	100.00% indirectly	USD5		**USD452**	**100.00% indirectly**
Shanghai Yuan Shu Yuan Jiu Investment Management Partnership (Limited Partnership) (Yuan Shu Yuan Jiu)	RMB606	99.98% directly			**RMB606**	**99.98% directly**
Shanghai Yuan Shu Yuan Pin Investment Management Partnership (Limited Partnership) (Yuan Shu Yuan Pin)	RMB606	99.98% directly			**RMB606**	**99.98% directly**
Shanghai Wansheng Industry Partnership (Limited Partnership) (Wan Sheng)	RMB3,900	99.998% directly	RMB100		**RMB4,000**	**99.98% directly**
Ningbo Meishan Bonded Port Area Bai Ning Investment Partnership (Bai Ning)	RMB1,680	99.98% directly			**RMB1,680**	**99.98% directly**
Hope Building (i)			RMB484		**RMB484**	**100.00% indirectly**
Wuhu Yuanxiang Tianfu Investment Management Partnership (Limited			RMB533		**RMB533**	**99.98% directly**

Partnership) (Yuanxiang Tianfu) (ii)			
Wuhu Yuanxiang Tianyi Investment Management Partnership (Limited Partnership) (Yuanxiang Tianyi) (ii)	RMB533	**RMB533**	**99.98% directly**
Shengyi Jingsheng	RMB1,063	**RMB1,063**	**100.00% indirectly**

(i) The Group acquired 100% equity of Hope Building in 2018, and the sole purpose for the investment in Hope Building was to hold a property.

(ii) Yuanxiang Tianfu, Yuanxiang Tianyi and Shengyi Jingsheng are new subsidiaries set up by the Group in 2018.

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Transactions with significant related parties

The following table summarises significant transactions carried out by the Group with its significant related parties:

		For the year ended 31 December		
		2018	2017	2016
	Notes	**RMB million**	RMB million	RMB million
Transactions with CLIC and its subsidiaries				
Policy management fee received from CLIC	*(i) (ix)*	**629**	740	869
Asset management fee received from CLIC	*(ii.a)*	**100**	107	124
Payment of dividends from the Company to CLIC		**7,729**	4,638	8,116
Distribution of profits from AMC to CLIC		**128**	125	143
Asset management fee received from CL Overseas	*(ii.b)*	**63**	119	74
Asset management fee received from CLP&C	*(ii.c)*	**14**	14	36
Payment of insurance premium to CLP&C		**47**	44	49
Claim and other payments received from CLP&C		**14**	16	18
Agency fee received from CLP&C	*(iii) (ix)*	**2,959**	3,030	2,337
Rental and a service fee received from CLP&C		**50**	59	43
Cash dividend from CLP&C (Note 8)		**66**	69	135
Payment of rental, project fee and other expenses to CLRE		**45**	50	44
Property leasing expenses charged by CLI	*(iv)*	**83**	78	81
Payment of an asset management fee to CLI	*(ii.d) (ix)*	**529**	396	298
Property leasing income received from CLI		**37**	37	38
Payment of a business management service fee to CL Ecommerce	*(vi)*	**53**	64	56
Transactions between CGB and the Group				
Interest on deposits received from CGB		**1,425**	1,382	685
Commission expenses charged by CGB	*(v)*	**112**	92	42
Capital contribution to CGB		**13,012**		
Transactions between Sino-Ocean and the Group				
Cash dividend from Sino-Ocean (Note 8)		**558**	553	248
Interest payment of corporate bonds received from Sino-Ocean		**27**	27	38
Project management fee paid to Sino-Ocean		**2**	55	60
Transactions between EAP and the Group				
Contribution to EAP		**593**	700	337

Transaction between other associates and joint ventures and the Group				
Distribution of profits from other associates and joint ventures to the Group (Note 8)		**2,279**	1,240	437
Transactions between AMC and the Company				
Payment of an asset management fee to AMC	*(ii.e) (ix)*	**1,326**	1,154	1,081
Distribution of profits from AMC		**193**	187	215
Transactions between Pension Company and the Company				
Rental received from Pension Company		**45**	43	34
Agency fee received from Pension Company for entrusted sales of annuity funds and other businesses	*(vii)*	**43**	42	31
Marketing fee income for promotion of annuity business from Pension Company		**13**	10	14
Transactions between AMC HK and the Company				
Payment of an investment management fee to AMC HK	*(ii.f)*	**18**	14	14
Transactions between Suzhou Pension Company and the Company				
Capital contribution to Suzhou Pension Company			260	526
Transactions between Rui Chong Company and the Company				
Capital contribution to Rui Chong Company			601	
Rental fee charged by Rui Chong Company		**47**		
Transactions between other associates and joint ventures and the Company				
Distribution of profits from other associates and joint ventures to the Company		**1,424**	203	134
Transactions between the consolidated structured entities/other subsidiaries and the Company				
Distribution of profits from the consolidated structured entities to the Company		**8,247**	3,944	443
Distribution of profits from the Company s other subsidiaries to the Company		**426**	70	

CHINA LIFE INSURANCE COMPANY LIMITED

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Transactions with significant related parties (continued)

Notes:

(i) On 26 December 2017, the Company and CLIC renewed a renewable insurance agency agreement, effective from 1 January 2018 to 31 December 2020. The Company performs its duties of insurance agents in accordance with the agreement, but does not acquire any rights and profits or assume any obligations, losses and risks as an insurer of the non-transferrable policies. The policy management fee was payable semi-annually, and is equal to the sum of (1) the number of policies in force as at the last day of the period, multiplied by RMB8.0 per policy and (2) 2.5% of the actual premiums and deposits received during the period, in respect of such policies. The policy management fee income is included in other income in the consolidated statement of comprehensive income.

(ii.a) On 30 December 2015, CLIC renewed an asset management agreement with AMC, entrusting AMC to manage and make investments for its insurance funds. The agreement was effective from 1 January 2016 to 31 December 2018. In accordance with the agreement, CLIC paid AMC a basic service fee at the rate of 0.05% per annum for the management of insurance funds. The service fee was calculated and payable on a monthly basis, by multiplying the average book value of the assets under management (after deducting the funds obtained from and interests accrued for repurchase transactions, deducting the principal and interests of debt and equity investment schemes, project asset-backed schemes, customised non-standard products) at the beginning and the end of any given month by the rate of 0.05%, divided by 12. At the end of each year, CLIC assessed the investment performance of the assets managed by AMC, compared the actual results against benchmark returns and made adjustment to the basic service fee.

(ii.b) In 2018, CL Overseas renewed an investment management agreement with AMC HK, effective from 1 January 2018 to 31 December 2022. In accordance with the agreement, CL Overseas entrusted AMC HK to manage and make investments for its insurance funds and paid AMC HK a basic investment management fee and an investment performance fee. The basic investment management fee was accrued by multiplying the weighted average total funds by the basic fee rate. The investment performance fee was calculated based on the difference between the total actual annual yields and predetermined net realised yield. The basic investment management fee was calculated and payable on a semi-annual basis. The investment performance fee was payable according to the total actual annual yield at the end of each year.

(ii.c) On 15 May 2018, CLP&C renewed an agreement for the management of insurance funds with AMC, entrusting AMC to manage and make investments for its insurance funds, which was retrospectively effective from 1 January 2018 to 31 December 2019. The agreement was subject to an automatic one-year renewal if no objections were raised by both parties upon expiry. In accordance with the agreement, CLP&C paid AMC a fixed service fee and a variable service fee. The fixed service fee was calculated on a monthly basis and payable on an annual basis, by multiplying the average net asset value of assets of each category under management at the beginning and the end of any given month by the responding annual investment management fee rate, divided by 12. The variable service fee was payable on an annual basis and linked to investment performance.

(ii.d) On 30 June 2017, the Company and CLI renewed a management agreement of alternative investment of insurance funds, which was retrospectively effective from 1 January 2017 to 31 December 2018. In accordance with the agreement, the Company entrusted CLI to engage in specialised investment, operation and management of equities, real estate and related financial products, and securitised financial products under the instructions of the annual guidelines. The Company paid CLI an asset management fee and a performance related bonus based on the agreement. For fixed-income projects, the management fee rate was 0.05%-0.6% according to different ranges of returns and without a performance-related bonus; for non-fixed-income projects, the management fee rate was 0.3% and the performance-related bonus was linked to the return on comprehensive investment upon expiry of the project. In addition, the Company adjusts the investment management fees for fixed-income projects and non-fixed-income projects based on the annual evaluation results to CLI s performance. The adjustment amount (variable management fee) ranges from negative 10% to positive 15% of the investment management fee in the current period.

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Transactions with significant related parties (continued)

Notes (continued):

(ii.e) On 29 December 2015, the Company and AMC renewed a renewable agreement for the management of insurance funds, effective from 1 January 2016 to 31 December 2018. In accordance with the agreement, the Company entrusted AMC to manage and make investments for its insurance funds and paid AMC a fixed service fee and a variable service fee. The fixed annual service fee was calculated and payable on a monthly basis, by multiplying the average net value of the assets under management by the rate of 0.05%; the variable service fee was payable annually, based on the results of performance evaluation, at 20% of the fixed service fee per annum. The service fees were determined by the Company and AMC based on an analysis of the cost of service, market practice and the size and composition of the asset pool to be managed. Asset management fees charged to the Company by AMC are eliminated in the consolidated statement of comprehensive income.

(ii.f) On 18 September 2016, the Company and AMC HK renewed the offshore investment management service agreement, which was effective from 19 September 2016 to 31 December 2018. In accordance with the agreement, the Company entrusted AMC HK to manage and make investments for its insurance funds and paid AMC HK an asset management fee. On 25 December 2017, the Company and AMC HK signed a supplementary agreement, changing the fixed rate of the portfolio asset value for assets managed on a discretionary basis to 0.375% and the variable rates of it to 0.047% and 0.094%, respectively, according to different compliance conditions. Fixed rates for assets managed on a non-discretionary basis are revised to 0.047% and 0.075%, respectively, by various asset classes. The supplementary agreement is effective from 1 January 2018 to 31 December 2018. The above management fee was calculated based on the net value of the entrusted asset from the monthly reports provided by the trustee, without deducting the monthly management fee payable. The investment management fee was accrued quarterly and paid within 10 working days of the next quarter. Asset management fees charged to the Company by AMC HK are eliminated in the consolidated statement of comprehensive income.

(iii) On 31 January 2018, the Company and CLP&C signed a new framework insurance agency agreement, whereby CLP&C entrusted the Company to act as an agent to sell designated P&C insurance products in certain authorised jurisdictions. The agency fee was determined based on cost (tax included) plus a margin. The agreement is valid for three years, from 8 March 2018 to 7 March

2021.

(iv) On 29 December 2017, the Company renewed a property leasing agreement with CLI, effective from 1 January 2018 to 31 December 2020, pursuant to which CLI leased to the Company certain buildings of its own. Annual rental payable by the Company to CLI in relation to the CLI properties is determined either by reference to the market rent, or, the costs incurred by CLI in holding and maintaining the properties, plus a margin of approximately 5%. The rental was paid on a semi-annual basis, and each payment was equal to one half of the total annual rental.

(v) On 19 October 2018, the Company and CGB renewed an insurance agency agreement to distribute insurance products. All individual insurance products suitable for distribution through bancassurance channels are included in the agreement. CGB provides agency services, including the sale of insurance products, collecting premiums and paying benefits. The Company paid the agency commission by multiplying the net amount of total premiums received from the sale of each category individual insurance products after deducting the withdrawn policy premiums in the hesitation period, by the responding fixed commission rate. The commission rates for various insurance products sold by CGB are agreed based on arm s length transactions. The commissions are payable on a monthly basis. The agreement is effective from the signing date to 16 August 2020.

On 23 March 2016, the Company and CGB signed another insurance agency agreement to distribute group insurance products. The group insurance products suitable for distribution through bancassurance channels are included in the agreement. CGB provides agency services, including the sale of group insurance products, collecting premiums and paying benefits, and so on. The Company paid the agency commission by multiplying the net amount of total premiums received from the sale of each category group insurance product after deducting the withdrawn policy premiums in the hesitation period, by the responding fixed commission rate. The commission rates for various insurance products sold by CGB are agreed by referring to comparable quoted market prices of independent third-parties. The commissions are payable on a monthly basis. The agreement is valid for two years from 1 January 2016, with an automatic one-year renewal if no objections were raised by either party upon expiry. On 1 January 2018, the agreement was automatically renewed for one year.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Transactions with significant related parties (continued)

Notes (continued):

(vi) On 1 January 2018, the Company and CL Ecommerce renewed an agreement for managing the regional telemarketing centre, which was effective from 1 January 2018 and would expire on 31 December 2018. Pursuant to the agreement, the Company entrusted CL Ecommerce to manage the operation of its telemarketing centre, and paid the management fee accordingly. The total amount of the management fee is not expected to exceed RMB100 million, but is still pending for negotiation between the two parties based on the actual circumstance.

(vii) On 28 November 2016, the Company and Pension Company signed an agency agreement for the distribution and customer service of enterprise annuity funds, the pension management business and the occupational pension management business. The agreement was effective from 28 November 2016 and expired on 31 December 2017. The agreement was subject to an automatic one-year renewal if no objections were raised by either party upon expiry. On 1 January 2018, the agreement was automatically renewed for one year. The commissions agreed upon in the agreement include the daily business commissions and the annual promotional plans commissions. According to the agreement, the commissions for the entrusting service of enterprise annuity fund management, which is the core business of Pension Company, are calculated at 30% to 80% of the annual entrusting management fee revenues, depending on the duration of the agreement. The commissions for account management service are calculated at 60% of the first year s account management fee and were only charged for the first year, regardless of the duration of the agreement. The commissions for investment management service, in accordance with the duration of the agreement, are calculated at 60% to 3% of the annual investment management fee (excluding risk reserves for investment), and decreased annually. The commissions of the group pension plan is, in accordance with the duration of the contracts, calculated at 50% to 3% of the annual investment management fee, and decreased annually; the commissions of the personal pension plan is calculated at 30% to 50% of the annual investment management fee according to the various rates of daily management fee applied to the various individual pension management products in all of the management years; the commissions of occupation annuity is in accordance with the provision of annual promotional plans, which should be determined by both parties on a separate occasion. The commissions charged to the Company by Pension Company are eliminated in the consolidated statement of comprehensive income of the Group.

(viii) On 7 May 2018, the Company, CLIC and CLP&C signed an agreement of capital increase. The Company and CLIC agreed the transfer of CLP&C s retained earnings to capital, increasing the registered capital of CLP&C from RMB15 billion to RMB18.8 billion. The number of CLP&C s shares held by the Company increased by 1.52 billion accordingly. After the capital increase, the Company continues to hold 40% of CLP&C s equity.

(ix) These transactions constitute continuing connected transactions which are subject to reporting and announcement requirements but are exempt from independent shareholders approval requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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CHINA LIFE INSURANCE COMPANY LIMITED

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Amounts due from/to significant related parties

The following table summarises the balances due from and to significant related parties. The balances are non-interest-bearing, unsecured and have no fixed repayment dates except for deposits with CGB, interbank certificates of deposits of CGB, wealth management product of CGB and corporate bonds issued by Sino-Ocean.

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
The resulting balances due from and to significant related parties of the Group		
Amount due from CLIC	**350**	420
Amount due from CL Overseas	**68**	122
Amount due from CLP&C	**284**	428
Amount due to CLP&C	**(9)**	(6)
Amount due from CLI	**15**	9
Amount due to CLI	**(362)**	(265)
Amount due from CLRE	**2**	2
Amount deposited with CGB	**61,880**	33,385
Interbank certificates of deposits of CGB		199
Wealth management products of CGB	**115**	330
Amount due from CGB	**1,557**	1,041
Amount due to CGB	**(63)**	(31)
Corporate bonds of Sino-Ocean	**593**	592
Amount due from Sino-Ocean	**8**	8
Amount due from CL Ecommerce	**6**	6
Amount due to CL Ecommerce	**(67)**	(78)
The resulting balances due from and to subsidiaries of the Company		
Amount due from Pension Company	**25**	57
Amount due to Pension Company	**(28)**	(19)

Amount due to AMC	**(218)**	(207)
Amount due to AMC HK	**(10)**	(4)

(i) Key management personnel compensation

	For the year ended 31 December		
	2018	2017	2016
	RMB million	RMB million	RMB million
Salaries and other benefits	**20**	28	28

The total compensation package for the Company s key management personnel for the year ended 31 December 2018 has not yet been finalised in accordance with regulations of the relevant PRC authorities. The final compensation will be disclosed in a separate announcement when determined. The compensation of 2017 has been approved by the relevant authorities. The total compensation of 2017 was RMB28 million, including a deferred payment about RMB6 million.

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33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(j) Transactions with state-owned enterprises

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

As at 31 December 2018, most of the bank deposits of the Group were with state-owned banks; the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the year ended 31 December 2018, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance commission charges were paid to state-owned banks and postal offices; and the majority of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company.

34 SHARE CAPITAL

	As at 31 December 2018		As at 31 December 2017	
	No. of shares	**RMB million**	No. of shares	RMB million
Registered, authorised, issued and fully paid				
Ordinary shares of RMB1 each	**28,264,705,000**	**28,265**	28,264,705,000	28,265

As at 31 December 2018, the Company s share capital was as follows:

		As at 31 December 2018
	No. of shares	**RMB million**
Owned by CLIC (i)	**19,323,530,000**	**19,324**
Owned by other equity holders	**8,941,175,000**	**8,941**
Including: Domestic listed	**1,500,000,000**	**1,500**

Overseas listed (ii)	**7,441,175,000**	**7,441**
Total	**28,264,705,000**	**28,265**

(i) All shares owned by CLIC are domestic listed shares.
(ii) Overseas listed shares are traded on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange.

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35 OTHER EQUITY INSTRUMENTS

(a) Basic information

	As at 31 December 2017 RMB million	Increase RMB million	Decrease RMB million	As at 31 December 2018 RMB million
Core Tier 2 Capital Securities	7,791			**7,791**
Total	7,791			**7,791**

The Company issued Core Tier 2 Capital Securities at par with the nominal value of USD1,280 million on 3 July 2015, and listed such securities on the Stock Exchange of Hong Kong Limited on 6 July 2015. The securities were issued in the specified denomination of USD200,000 and integral multiples of USD1,000 in excess thereof. After a deduction of the issue expense, the total amount of the proceeds raised from this issuance was USD1,274 million or RMB7,791 million. The issued capital securities have a term of 60 years, extendable upon expiry. Distributions shall be payable on the securities semi-annually and the Company has the option to redeem the securities at the end of the fifth year after issuance and on any distribution payment date thereafter. The initial distribution rate for the first five interest-bearing years is 4.00%, if the Company does not exercise this option, the rate of distribution will be reset based on the comparable US treasury yield plus a margin of 2.294% at the end of the fifth year and every five years thereafter.

(b) Equity attributable to equity holders

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Equity attributable to equity holders of the Company	**318,371**	320,933
Equity attributable to ordinary equity holders of the Company	**310,580**	313,142
Equity attributable to other equity instruments holders of the Company	**7,791**	7,791

Equity attributable to non-controlling interests	**4,919**	4,377
Equity attributable to ordinary equity holders of non-controlling interests	**4,919**	4,377

Refer to Note 31 for the information of distribution to other equity instruments holders of the Company for the year ended 31 December 2018. As at 31 December 2018, there were no accumulated distributions unpaid attributable to other equity instrument holders of the Company.

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CHINA LIFE INSURANCE COMPANY LIMITED

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36 RESERVES

	Share premium RMB million	Other reserves RMB million	Unrealised gains/ (losses) from available-for-sale securities RMB million	Share of other comprehensive income of investees under the equity method RMB million	Statutory reserve fund RMB million (a)	Discretionary reserve fund RMB million (b)	General reserve RMB million (c)	Exchange differences on translating foreign operations RMB million	Total RMB million
As at 1 January 2016	53,860	1,113	29,963	180	28,239	24,787	25,239		163,381
Other comprehensive income for the year			(24,863)	(918)				7	(25,774)
Appropriation to reserves					1,927	3,438	2,002		7,367
Others		33							33
As at 31 December 2016	53,860	1,146	5,100	(738)	30,166	28,225	27,241	7	145,007
As at 1 January 2017	53,860	1,146	5,100	(738)	30,166	28,225	27,241	7	145,007
Other comprehensive income for the year			(7,086)	21				(847)	(7,912)
Appropriation to reserves					3,218	1,927	3,300		8,445
Others		135							135
As at 31 December	53,860	1,281	(1,986)	(717)	33,384	30,152	30,541	(840)	145,675

2017

As at 1 January 2018	**53,860**	**1,281**	**(1,986)**	**(717)**	**33,384**	**30,152**	**30,541**	**(840)**	**145,675**
Other comprehensive income for the year			**(3,426)**	**770**				**586**	**(2,070)**
Appropriation to reserves					**1,275**	**3,218**	**1,392**		**5,885**
Others		**(197)**							**(197)**
As at 31 December 2018	**53,860**	**1,084**	**(5,412)**	**53**	**34,659**	**33,370**	**31,933**	**(254)**	**149,293**

(a) Pursuant to the relevant PRC laws, the Company appropriated 10% of its net profit under Chinese Accounting Standards (CAS) to statutory reserve which amounted to RMB1,275 million for the year ended 31 December 2018 (2017: RMB3,218 million, 2016: RMB1,927 million).

(b) Approved at the Annual General Meeting in June 2018, the Company appropriated RMB3,218 million to the discretionary reserve fund for the year ended 31 December 2017 based on net profit under CAS (2017: RMB1,927 million, 2016: RMB3,438 million).

(c) Pursuant to *Financial Standards of Financial Enterprises - Implementation Guide* issued by the Ministry of Finance of the PRC on 30 March 2007, for the year ended 31 December 2018, the Company appropriated 10% of net profit under CAS which amounted to RMB1,275 million to the general reserve for future uncertain catastrophes, which cannot be used for dividend distribution or conversion to share capital increment (2017: RMB3,218 million, 2016: RMB1,927 million). In addition, pursuant to the CAS, the Group appropriated RMB117 million to the general reserve of its subsidiaries attributable to the Company in the consolidated financial statements (2017: RMB82 million, 2016: RMB75 million).

Under related PRC 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 the subsequent years.

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37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing loans and borrowings	Bonds payable	Securities sold under agreements to repurchase	Other liability-payable to the third-party holders of consolidated structured entities	Other liability-interest payable related to financing activities	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2017	16,170	37,998	81,088	5,488	813	141,557
Changes from financing cash flows	3,121	(38,000)	6,228	764	(5,671)	(33,558)
Foreign exchange movement	(497)					(497)
Changes arising from losing control of consolidated structured entities			(7)			(7)
Interest expense		2			4,985	4,987
At 31 December 2017	18,794		87,309	6,252	127	112,482
At 1 January 2018	**18,794**		**87,309**	**6,252**	**127**	**112,482**
Changes from financing cash flows	**727**		**104,832**	**3,155**	**(3,990)**	**104,724**
Foreign exchange movement	**629**					**629**
Interest expense					**4,115**	**4,115**
At 31 December 2018	**20,150**		**192,141**	**9,407**	**252**	**221,950**

38 PROVISIONS AND CONTINGENCIES

The following is a summary of the significant contingent liabilities:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Pending lawsuits	**488**	493

The Group involves in certain lawsuits arising from the ordinary course of business. In order to accurately disclose the contingent liabilities for pending lawsuits, the Group analysed all pending lawsuits case by case at the end of each interim and annual reporting period. A provision will only be recognised if management determines, based on third-party legal advice, that the Group has present obligations and the settlement of which is expected to result in an outflow of the Group s resources embodying economic benefits, and the amount of such obligations could be reasonably estimated. Otherwise, the Group will disclose the pending lawsuits as contingent liabilities. As at 31 December 2018 and 2017, the Group had other contingent liabilities but disclosure of such was not practical because the amounts of liabilities could not be reliably estimated and were not material in aggregate.

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CHINA LIFE INSURANCE COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

39 COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments relating to property development projects and investments:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Contracted, but not provided for		
Investments	**81,217**	86,582
Property, plant and equipment	**4,930**	5,202
Total	**86,147**	91,784

(b) Operating lease commitments - as lessee

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

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Not later than one year	**1,049**	784
Later than one year but not later than five years	**1,373**	1,101
Later than five years	**52**	44
Total	**2,474**	1,929

The operating lease payments charged to profit before income tax for the year ended 31 December 2018 were RMB1,444 million (2017: RMB1,204 million).

(c) Operating lease commitments - as lessor

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December 2018 RMB million	As at 31 December 2017 RMB million
Not later than one year	**530**	254
Later than one year but not later than five years	**1,306**	411
Later than five years	**300**	76
Total	**2,136**	741

40 EVENTS AFTER THE REPORTING PERIOD

On 20 March 2019, the Company issued bonds for capital replenishment (the Bond) in the national inter-bank bond market in a principal amount of RMB35 billion, and completed the issuance on 22 March 2019. The Bond has 10-year maturity and a fixed coupon rate of 4.28% per annum. The Company has a conditional right to redeem the bonds at the end of the fifth year.