CHINA LIFE INSURANCE CO LTD
Form 20-F
May 18, 2007
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As filed with the Securities and Exchange Commission on May 18, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

OR

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

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report ______

Commission file number 001-31914

(Exact name of Registrant as specified in its charter)

China Life Insurance Company Limited

(Translation of Registrant s name into English)

People s Republic of China

(Jurisdiction of incorporation or organization)

16 Chaowai Avenue

Chaoyang District

Beijing 100020, China

(Address of principal executive offices)

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

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

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

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

None.

(Title of Class)

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

None.

(Title of Class)

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

As of December 31, 2006, 7,441,175,000 H shares and 20,823,530,000 A shares, par value RMB1.00 per share, were issued and outstanding. H shares are listed on the Hong Kong Stock Exchange. Since January 9, 2007, A shares, par value RMB 1.00 per share, have been listed on the

Shanghai Stock Exchange. Both H shares and A shares are ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

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

CHINA LIFE INSURANCE COMPANY LIMITED

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FORWARD-LOOKING STATEMENTS

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

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

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

In some cases, we use words such as believe , intend , anticipate , estimate , project , forecast , plan , potential , will , may , should similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this annual report, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under Item 3. Key Information Risk Factors and elsewhere in this annual report, including in conjunction with the forward-looking statements included in this annual report. We undertake no obligation to publicly update or revise any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise, except as required by law. All forward-looking statements contained in this annual report are qualified by reference to this cautionary statement.

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CERTAIN TERMS AND CONVENTIONS

Conventions

References in this annual report to we , us , our or China Life mean China Life Insurance Company Limited and, as the context may require, its subsidiaries. References to CLIC mean, prior to the restructuring described below, China Life Insurance Company and, as the context may require, its subsidiaries, and subsequent to the restructuring, China Life Insurance (Group) Company and, as the context may require, its subsidiaries, other than China Life. References in this annual report to AMC mean China Life Insurance Asset Management Company Limited, the asset management joint venture established by us with CLIC on November 23, 2003.

The statistical and market share information contained in this annual report has been derived from government sources, including the China Insurance Yearbook 2004, the China Insurance Yearbook 2005, the China Insurance Yearbook 2006, and other public sources. The information has not been verified by us independently. Unless otherwise indicated, market share information set forth in this annual report is based on premium information as reported by the CIRC. The reported information includes premium information that is not determined in accordance with HKFRS or U.S. GAAP.

References to A share offering mean the 1,500,000,000 ordinary domestic shares which were newly issued by us on December 26, 2006 and offered to strategic, institutional and public investors as approved by the CSRC. References to CLIC A shares mean the 19,323,530,000 ordinary domestic shares held by CLIC prior to the A share offering and which have been registered with the China Securities Depository and Clearing Corporation Limited as circulative A shares with restrictive trading following the A share offering. CLIC has undertaken that for a period of 36 months commencing on January 9, 2007, it will not transfer or put on trust the CLIC A shares held by it or allow such CLIC A shares to be repurchased by China Life. References to A shares mean the RMB ordinary shares listed on the SSE, which include the CLIC A shares and the 1,500,000,000 ordinary domestic shares issued pursuant to the A share offering. A shares have been listed on the SSE since January 9, 2007.

References to China or PRC mean the People s Republic of China, excluding, for purposes of this annual report, Hong Kong, Macau and Taiwan. References to the central government mean the government of the PRC. References to State Council mean the State Council of the PRC. References to the CIRC mean the China Insurance Regulatory Commission. References to MOF or Ministry of Finance mean the Ministry of Finance of the PRC. References to Ministry of Commerce mean the Ministry of Commerce of the PRC, which assumed the regulatory functions of the former Ministry of Foreign Trade and Economic Cooperation of the PRC, or MOFTEC . References to CSRC mean the China Securities Regulatory Commission.

References to effective date mean June 30, 2003, the effective date of the restructuring under the restructuring agreement between CLIC and us.

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

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

References to U.S. GAAP mean the generally accepted accounting principles in the United States, references to HKFRS mean the financial reporting standards in Hong Kong, which are effective for accounting periods commencing on or after January 1, 2005, and references to PRC GAAP mean the PRC Accounting Rules and Regulations for Business Enterprises and PRC Accounting System for Financial Institutions. Unless otherwise indicated, our financial information presented in this annual report has been prepared in accordance with HKFRS.

Unless otherwise indicated, translations of RMB amounts into U.S. dollars in this annual report have been made at the rate of US$1.00 to RMB 7.8041, the noon buying rate in The City of New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on December 29, 2006. The noon buying rate on May 11, 2007 on this basis was RMB 7.6835 to US$1.00. No representation is made that Renminbi amounts could have been, or could be, converted into U.S. dollars at that rate on December 29, 2006 or at all.

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

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

PART I

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

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

SELECTED FINANCIAL DATA

Selected Historical Consolidated Financial Data

The following tables set forth our selected consolidated financial information. We have derived the consolidated financial information as of and for the years ended December 31, 2004, 2005 and 2006 from our audited consolidated financial statements included elsewhere in this annual report. For consolidated financial information as of and for the years ended December 31, 2002 and 2003, we derived the information from our audited consolidated financial statements not included in this annual report. As described below, the financial statements as of and for the year ended December 31, 2002 present the financial results of our predecessor company, CLIC, and the 2003 statements of results of operations and cash flows present the results of CLIC for the nine-month period ended September 30, 2003 together with our results for the three-month period ended December 31, 2003.

For a reconciliation of our net profit and shareholders equity to U.S. GAAP, see Note 36 of the notes to the consolidated financial statements included elsewhere in this annual report.

We were formed on June 30, 2003 in connection with CLIC s restructuring. In connection with the restructuring, CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in a database attached to the restructuring agreement as an annex or (ii) having policy terms for group supplemental medical insurance (fund type), (2) stand-alone short-term policies (policies having a term of one year or less from the date of issuance) issued on or after June 10, 1999 and (3) all riders supplemental to the policies described in clauses (1) and (2) above, together with the reinsurance contracts specified in an annex to the restructuring agreement. We refer to these policies as the transferred policies . See Item 4. Information on the Company History and Development of the Company Our Restructuring . All other insurance policies were retained by CLIC. We refer to these policies as the non-transferred policies . We assumed all obligations and liabilities of CLIC under the transferred policies. CLIC continues to be responsible for its liabilities and obligations under the non-transferred policies following the restructuring. The restructuring was effected through a restructuring agreement entered into with CLIC on September 30, 2003, with retroactive effect to June 30, 2003. Pursuant to PRC law and the restructuring agreement, the transferred policies were transferred to us as of June 30, 2003; however, for accounting purposes, the restructuring is treated as having occurred on September 30, 2003, the date of which all of the assets to be transferred were specifically identified. Therefore, for accounting purposes, our financial statements reflected a deemed distribution of assets to CLIC and deemed assumption of liabilities by CLIC as of September 30, 2003. To give effect to the restructuring agreement, the results of operations attributable to the timing difference between the effectiveness of the restructuring under the PRC law and the effectiveness of the restructuring for accounting purposes are reflected as a capital contribution from CLIC to us as of October 1, 2003. The business constituted by the policies and assets transferred to us and the obligations and liabilities assumed by us and the business

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constituted by the policies, assets, obligations and liabilities retained by CLIC were, prior to the restructuring, under common management from a number of significant aspects. Therefore, our consolidated balance sheet data as of December 31, 2002, and the consolidated income statement accounts data for the years ended December 31, 2002, present the financial results of our predecessor company, CLIC, and they will not necessarily be indicative of our future earnings, cash flows or financial position as a stand-alone company. Our consolidated balance sheet data and consolidated income statement as of and for the year ended December 31, 2003 reflect the restructuring as having occurred on September 30, 2003.

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

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	For the year ended December 31,					
	2002	2003(1)	2004	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$
	(in millions except for per share data)					
Consolidated Income Statement Data						
HKFRS						
Revenues						
Gross written premiums and policy fees	68,769	69,334	66,257	81,022	99,417	12,739
Less: premiums ceded to reinsurers	(1,869)	(1,571)	(1,182)	(769)	(140)	(18)
Net written premiums and policy fees	66,900	67,763	65,075	80,253	99,277	12,721
Net change in unearned premium reserves	(476)	(547)	(67)	(215)	(430)	(55)
Net premiums earned and policy fees	66,424	67,216	65,008	80,038	98,847	12,666
Net investment income	8,347	9,825	11,317	16,685	24,942	3,196
Net realized gains/(losses) on financial assets				(510)	1,595	204
Net realized gains/(losses) on investments	266	868	(237)			
Net fair value gains on assets at fair value through income (held-for-trading)				260	20,044	2,568
Net unrealized gains/(losses) on trading assets	(1,067)	247	(1,061)			
Other income	338	727	1,779	1,739	1,883	241
Total revenues	74,308	78,883	76,806	98,212	147,311	18,876
Benefits, claims and expenses						
Insurance benefits and claims						
Life insurance death and other benefits	(7,010)	(8,570)	(6,816)	(8,311)	(10,797)	(1,384)
Accident and health claims and claim adjustment expenses	(4,053)	(4,882)	(6,418)	(6,847)	(6,999)	(897)
Increase in long-term traditional insurance contracts liabilities	(40,541)	(39,966)	(25,361)	(33,977)	(44,238)	(5,669)
Interest credited to long-term investment type insurance contracts	(6,783)	(6,811)	(3,704)	(4,894)	(6,386)	(818)
Interest credited to investment contracts	(312)	(449)	(616)	(973)	(996)	(128)
Increase in deferred income	(6,108)	(5,942)	(7,793)	(8,521)	(11,607)	(1,487)
Policyholder dividends resulting from participation in profits	(641)	(1,207)	(2,048)	(5,359)	(17,617)	(2,257)
Amortization of deferred policy acquisition costs	(3,832)	(5,023)	(6,263)	(7,766)	(10,259)	(1,315)
Underwriting and policy acquisition costs	(1,661)	(1,294)	(1,472)	(1,845)	(2,415)	(309)
Administrative expenses	(6,162)	(6,862)	(6,585)	(7,237)	(9,339)	(1,197)
Other operating expenses	(634)	(872)	(131)	(798)	(859)	(110)
Interest expense on bank borrowings	(7)	(7)				
Statutory insurance fund	(73)	(85)	(96)	(174)	(194)	(25)
Total benefits, claims and expenses	(77,817)	(81,970)	(67,303)	(86,702)	(121,706)	(15,595)
Net profit/(loss) before income tax expense	(3,509)	(3,087)	9,503	11,510	25,605	3,281
Income tax expense	(14)	(1,180)	(2,280)	(2,145)	(5,554)	(712)
Net profit/(loss)	(3,523)	(4,267)	7,223	9,365	20,051	2,569
Attributable to:						
Shareholders of the Company	(3,525)	(4,252)	7,171	9,306	19,956	2,557
Minority interest	2	(15)	52	59	95	12
Basic and diluted earnings/(loss) per share(2)	(0.18)	(0.21)	0.27	0.35	0.75	0.10
Dividends				1,338	3,957	507

U.S. GAAP

Revenues	74,308	78,883	76,806	98,212	147,311	18,876
Net profit/(loss) attributable to shareholders of the Company	(2,317)	(1,287)	7,171	9,306	19,956	2,557
Net profit/(loss) per share(2)	(0.12)	(0.06)	0.27	0.35	0.75	0.10
Net profit/(loss) per ADS(2)	(4.63)	(2.54)	10.72	13.91	N/A	N/A
Net profit/(loss) per ADS(3)	(1.74)	(0.95)	4.02	5.22	11.18	1.43

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(1) Includes, through September 30, 2003, the assets, liabilities and operations retained by CLIC.

(2) The 20,000,000,000 shares issued to CLIC in the restructuring have been given retroactive treatment for purposes of computing per share and per ADS amounts. Numbers for the year ended December 31, 2003 and the years ended December 31, 2004 and December 31, 2005 are based on the weighted average number of 20,249,798,526 shares and 26,764,705,000 shares, respectively, in issue during such years. Numbers for the year ended December 31, 2006 are based on the weighted average number of 26,777,033,767 shares in issue during such year. Each ADS represents 40 H shares. Any discrepancies in the table between the amounts per share and the amounts per ADS are due to rounding.

(3) The ratio of ADSs to H shares was reduced from 40 H shares to 15 H shares on December 29, 2006. Accordingly, we have also calculated retroactively the net profit/(loss) per ADS based on each ADS representing 15 H shares for purposes of comparison.

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	As of December 31,					
	2002	**2003**	**2004**	**2005**	**2006**	**2006**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**US$**
			(in millions)			
Consolidated Balance Sheet Data						
HKFRS						
Assets						
Property, plant and equipment	18,457	12,008	12,250	12,710	14,565	1,866
Deferred policy acquisition costs	18,084	24,868	32,787	37,741	39,230	5,027
Investments in associates	2,035				6,071	778
Financial assets						
Debt securities	76,337	70,604	150,234	255,554	357,898	45,860
Equity securities	12,171	10,718	17,271	39,548	95,493	12,236
Term deposits	123,675	137,192	175,498	164,869	175,476	22,485
Statutory deposits restricted	991	4,000	4,000	5,353	5,353	686
Policy loans	106	116	391	981	2,371	304
Securities purchased under agreements to resell	36,388	14,002	279			
Accrued investment income	4,198	2,875	5,084	6,813	8,461	1,084
Other financial assets	231					
Premiums receivables	1,757	2,801	3,912	4,959	6,066	777
Reinsurance assets	1,224	997	1,297	1,182	986	126
Other assets	3,587	5,923	3,451	1,458	2,212	283
Cash and cash equivalents	14,529	42,616	27,217	28,051	50,213	6,434
Total assets	313,770	328,720	433,671	559,219	764,395	97,948

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	As of December 31,					
	2002	2003	2004	2005	2006	2006
	RMB	RMB	RMB	RMB	RMB	US$
			(in millions)			
Liabilities and equity						
Liabilities						
Insurance Contracts						
Short-term insurance contracts						
-Unearned premium reserves	5,036	5,382	5,212	5,147	5,346	685
-Reserves for claims and claim adjustment expenses	879	814	1,215	1,784	2,498	320
Long-term traditional insurance contracts	292,551	63,965	89,698	124,656	172,875	22,152
Long-term investment type insurance contracts	212,108	135,982	191,885	237,001	282,672	36,221
Deferred income	12,812	18,753	27,603	34,631	41,371	5,301
Financial liabilities						
Investment contracts						
-with discretionary participation feature (DPF)	9,241	16,720	32,476	42,230	45,998	5,894
-without DPF	2,698	2,029	1,635	1,872	2,614	335
Securities sold under agreements to repurchase	3,602	6,448		4,731	8,227	1,054
Annuity and other insurance balances payable	8,057	638	2,801	4,492	8,891	1,139
Premiums received in advance	1,767	2,407	2,447	2,951	2,329	298
Policyholder deposits	592					
Policyholder dividends payable	688	1,916	2,037	6,204	26,057	3,339
Bank borrowings	313					
Provision	445					
Other liabilities	4,716	6,732	4,922	4,106	5,333	683
Current income tax liabilities		159	38	525	843	108
Deferred tax liabilities		3,686	4,371	7,982	19,022	2,437
Statutory insurance fund	1,337	333	429	98	114	15
Total liabilities	556,842	265,964	366,769	478,410	624,190	79,982
Contingencies and commitments						
Shareholders equity						
Share Capital	4,600	26,765	26,765	26,765	28,265	3,622
Reserves	1,430	34,051	31,573	37,225	77,368	9,914
Retained earnings/(accumulated loss)	(249,267)	1,620	8,192	16,388	34,032	4,361
Total shareholders equity	(243,237)	62,436	66,530	80,378	139,665	17,896
Minority interest	165	320	372	431	540	69
Total equity	(243,072)	62,756	66,902	80,809	140,205	17,966
Total liabilities and equity	313,770	328,720	433,671	559,219	764,395	97,948
U.S. GAAP						
Total assets	313,592	328,720	433,671	559,219	764,395	97,948
Total liabilities	489,068	265,964	366,769	478,410	624,190	79,982
Shareholders equity	(175,641)	62,436	66,530	80,378	139,665	17,896

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Exchange Rate Information

We prepare our financial statements in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars, and U.S. dollars into Renminbi, at RMB 7.8041 to US$1.00, the noon buying rate on December 29, 2006 in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York. You should not assume that Renminbi amounts could actually be converted into U.S. dollars at these rates or at all.

Until July 20, 2005, the People s Bank of China had set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The People s Bank of China also took into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0% against the U.S. dollar. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People s Bank of China announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investments, loans or securities, requires the approval of the State Administration for Foreign Exchange and other relevant authorities.

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

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

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The noon buying rates in The City of New York for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were US$1.00 to RMB7.6835 and US$1.00 to HK$7.8201, respectively, on May 11, 2007. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each of the periods shown:

	Noon buying rate			
	RMB per US$		HK$ per US$	
	High	Low	High	Low
November 2006	7.8750	7.8303	7.7875	7.7751
December 2006	7.8350	7.8041	7.7787	7.7665
January 2007	7.8127	7.7705	7.8112	7.7797
February 2007	7.7632	7.7410	7.8141	7.8041
March 2007	7.7454	7.7232	7.8177	7.8093
April 2007	7.7345	7.7090	7.8212	7.8095
May 2007 (through May 11, 2007)	7.7065	7.6835	7.8222	7.8180

The following table sets forth the period-end noon buying rates and the average noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each of 2002, 2003, 2004, 2005, 2006 and 2007 (through May 11, 2007) (calculated by averaging the noon buying rates on the last day of each month of the periods shown):

	Period-end noon buying rate		Average noon buying rate	
	RMB per US$	HK$ per US$	RMB per US$	HK$ per US$
2002	8.2800	7.7988	8.2772	7.7996
2003	8.2767	7.7640	8.2771	7.7864
2004	8.2765	7.7723	8.2768	7.7899
2005	8.0702	7.7533	8.1826	7.7755
2006	7.8041	7.7771	7.9579	7.7685
2007 (through May 11, 2007)	7.6835	7.8201	7.7256	7.8149

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CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

RISK FACTORS

Our business, financial condition and results of operations can be affected materially and adversely by any of the following risk factors.

Risks Relating to Our Business

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

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

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

Banks and banking operations of post offices are rapidly emerging as some of the fastest growing distribution channels in China. Newly established domestic and foreign-invested life insurance companies have been particularly focusing on banks and banking operations of post offices as one of their main distribution channels. We do not have exclusive arrangements with any of the banks and banking operations of post offices through which we sell insurance and annuity products, and thus our sales may be materially and adversely affected if one or more banks or banking operations of post offices choose to favor our competitors products over our own. If we are unable to continue to develop our alternative distribution channels, our growth may be materially and adversely affected.

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

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

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

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

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

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

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

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

We are Exposed to Changes in Interest Rates

Changes in interest rates may affect our profitability

Our profitability is affected by changes in interest rates. We have experienced a generally low interest rate environment for several years until October 2004, when the interest rate on one-year term deposits was raised from 1.98% to 2.25%. In August 2006 and March 2007, the interest rate on one-year term deposits was further raised from 2.25% to 2.52% and from 2.52% to 2.79%, respectively. Due to China s recent fast growing economy, the Chinese government may take further measures, including further raising interest rates, in an effort to ensure sustainable economic growth. If interest rates were to further increase in the future, surrenders and withdrawals of insurance and annuity policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows requiring that we sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. However, if interest rates were to decline, the income we realize from our investments may decline, affecting our profitability. In addition, as instruments in our investment portfolio mature, we might have to reinvest the funds we receive in investments bearing lower interest rates.

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

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position included in this annual report, which present the historical results of CLIC through September 30, 2003, reflect the continuing performance of policies that were issued prior to June 10, 1999. Many of these policies paid guaranteed fixed rates of return that, due to declining interest rates, came to be significantly higher than the rates of return on investment assets. From 1996 through 2002, the People s Bank of China made a series of reductions in the interest rates Chinese commercial banks could pay on their deposits. The interest rate on one-year term deposits, a key benchmark rate, was reduced eight times, from 10.98% in April 1996 to 1.98% in February 2002. As a result, CLIC experienced a significant negative spread on its guaranteed rate policies and CLIC s results of operations continue to be adversely impacted by the effect of those interest rate cuts.

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

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

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

Our Investments are Subject to Risks

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

Under the current PRC insurance law, we may invest the premiums, deposits and other income we receive only in China, unless and until we are approved to invest overseas with our foreign currency denominated funds. We obtained approval for such overseas investment in November 2006. See Item 4.

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Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments . In particular, as of December 31, 2006, 52.1% of our total investment assets consisted of debt securities including Chinese government bonds, Chinese government agency bonds, Chinese corporate bonds and subordinated bonds and indebtedness; and 25.5% of our total investment assets consisted of term deposits with Chinese banks, and of these deposits, 35.1% were placed with the four largest state-owned commercial banks. A serious downturn in the Chinese economy may lead to investment losses, which would reduce our earnings. Due to China s recent fast growing economy, the Chinese government may take certain measures to slow down the economic growth, which could have an adverse impact on our earnings.

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

A portion of our investment assets, including the proceeds from our initial public offering in 2003, are held in foreign currencies. We are authorized by the CIRC to invest our assets held in foreign currencies in the overseas financial markets as permitted by the CIRC. Thus, our investment results may be subject to foreign exchange risks, as well as the volatility and various other factors of overseas capital markets, including, among others, increase in interest rates, where we do not have previous investment experience. We recorded RMB 639 million (US$82 million) in foreign exchange losses for the year ended December 31, 2006, resulting from our assets held in foreign currencies, which were affected by the appreciation of the Renminbi. Future movements in the exchange rate of RMB against the U.S. dollar and other foreign currencies may adversely affect our results of operations and financial condition.

Under China s existing foreign exchange control regulations, the conversion of foreign currencies into the Renminbi requires approval of relevant government agencies. We obtained an approval to settle a portion of our assets held in foreign currencies into the Renminbi in 2005, which partially reduced the foreign exchange risks we are expose to. We did not obtain any approval to settle any portion of our assets held in foreign currencies into the Renminbi in 2006 and there is no guarantee that we will be able to obtain any such approval in the future. If we do not obtain such approval, our ability to manage our foreign exchange risks may be limited. There are few financial products available in China to hedge foreign exchange risks, which substantially limits our ability to manage our foreign exchange risks.

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

Approximately 52.1% of our investment assets as of December 31, 2006 were comprised of debt securities. The issuers whose debt securities we hold may fail to pay or otherwise default on their obligations due to bankruptcy, a lack of liquidity, a downturn in the economy, operational failures or other reasons. Losses due to these defaults could reduce our profitability.

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

Our premiums and deposits have grown rapidly during the last three years. As a Chinese life insurance company we are subject to significant restrictions under current PRC insurance law and regulations on the asset classes in which we are permitted to invest. Until 2004, Chinese life insurance companies were allowed to invest their funds only in Chinese bank deposits, government bonds, domestic corporate bonds and securities investment funds. These asset classes historically have yielded a comparatively low return on investment. Since 2004, the investment channels of Chinese life insurance companies have been broadened to permit investment in convertible bonds, specified subordinated indebtedness and bonds issued by qualified commercial banks and insurance companies; overseas investment of foreign currency denominated funds in qualified term deposits, debt securities and shares of Chinese companies listed on specified overseas stock exchanges; direct investment in shares of companies listed on the Chinese securities market, which are denominated and traded in Renminbi; and direct investment in equity interest of non-listed commercial Chinese banks, as well as indirect investments in Chinese infrastructure projects, all subject to various limitations. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of investments . If the asset classes in which we are permitted to invest do not further expand in the future, we will be limited in our ability to improve our rate of return, which may materially and adversely impact our profitability. Our investment yields decreased for the three years prior to 2004, resulting in a decrease in the amount distributed for our participating products. A further decline in the future could adversely affect the attractiveness of our investment-type products, which compose a large portion of our business.

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

We had RMB 95,493 million (US$12,236 million) invested in equity securities, including securities investment funds and shares traded on the securities markets in China, as of December 31, 2006. These securities investment funds are primarily invested in equity securities that are issued by Chinese companies and traded on China s securities exchanges. Some of our investments in securities investment funds are publicly traded, but we also invest in non-publicly traded securities investment funds. Beginning in March 2005, we are also permitted to directly invest in shares traded on the securities markets in China. The PRC securities markets are characterized by companies with relatively small market capitalizations and low trading volumes, and by evolving regulatory, accounting and disclosure requirements. For example, Chinese listed companies are required to adopt the new accounting standards issued by MOF effective from January 1, 2007, and the share reform in connection with the conversion of non-tradable state-owned shares into tradable shares is still in progress. This may from time to time result in significant price volatility, unexpected losses or lack of liquidity. These factors could cause us to incur losses on our publicly traded investments. In addition, as one of the largest institutional investors in China, we may from time to time hold significant positions in many securities in which we invest, and any decision to sell or any perception in the market that we are a major seller of a security could adversely affect the liquidity and market price of that security.

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

Our earnings depend significantly upon the extent to which our actual claims results are consistent with the assumptions used in setting the prices for our products and establishing the liabilities in our financial statements for our obligations for future policy benefits and claims. Our assumptions include those for investment returns, mortality, morbidity, expenses and persistency, as well as macro-economic factors such as inflation. To the extent that trends in actual claims results are less favorable than our underlying assumptions used in establishing these liabilities, and these trends are expected to continue in the future, we could be required to increase our liabilities. Any such increase could have a material adverse effect on our profitability and, if significant, our financial condition. Any material impairment in our solvency margin could change our customers or our business associates perception of our financial health, which in turn could adversely affect our sales, earnings and operations.

We establish the liabilities for obligations for future policy benefits and claims based on the expected payout of benefits, calculated through the use of assumptions for investment returns, mortality, morbidity, expenses and persistency, as well as certain macroeconomic factors such as inflation. These assumptions are based on our previous experience, data published by other Chinese life insurers, as well as judgments made by the management. These assumptions may deviate from our actual experience, and,

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as a result, we cannot determine precisely the amounts which we will ultimately pay to settle these liabilities or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically, based on changes in the assumptions used to establish the liabilities, as well as on our actual policy benefits and claims results. We record changes in our liabilities in the period the liabilities are established or re-estimated. If the liabilities originally established for future policy benefits prove inadequate, we must increase our liabilities established for future policy benefits, which may have a material adverse effect on our earnings and our financial condition.

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

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

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

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

Catastrophes could materially reduce our earnings and cash flow

We could in the future experience catastrophic losses that may have an adverse impact on the business, results of operations and financial condition of our insurance business. Catastrophes can be caused by various events, including terrorist attacks, earthquakes, hurricanes, floods, fires and epidemics, such as severe acute respiratory syndrome, or SARS.

We establish liabilities for claims arising from a catastrophe only after assessing the exposure and damages arising from the event. We cannot be certain that the liabilities we establish after the assessment will be adequate to cover actual claims. We do not currently carry catastrophe reinsurance to reduce our catastrophe exposure. Such an event could have a material adverse effect on us.

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

Class Action Litigations

China Life and certain of its former directors (the defendants) have been named in nine putative class action lawsuits filed in the United States District Court for the Southern District of New York between March 16, 2004 and May 14, 2004. The lawsuits have been ordered to be consolidated and restyled *In re China Life Insurance Company Limited Securities Litigation, NO. 04 CV 2112 (TPG)*. Plaintiffs filed a consolidated amended complaint on January 19, 2005, which names China Life, Wang Xianzhang (former director), Miao Fuchun (former director) and Wu Yan (former director) as defendants. The consolidated amended complaint alleges that the defendants named therein violated Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. China Life has engaged U.S. counsel to contest vigorously on the lawsuits. The defendants jointly moved to dismiss the consolidated amended complaint on March 21, 2005. Plaintiffs then further amended their complaint. Defendants moved to dismiss the second amended complaint on November 18, 2005. That motion has been fully briefed and is pending before the Court. The likelihood of an unfavorable outcome is still uncertain. No provision has been made with respect to these lawsuits.

Others

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

In April 2006, the CIRC announced that it will assess the effectiveness of internal controls, as well as regulatory compliance matters relating to business operations, of Chinese life insurance companies, health insurance companies and pension insurance companies during a three-year period immediately after the announcement, in accordance with the tentative rules on internal control assessment of life insurance companies. The purposes of such assessment were stated to be to facilitate and supervise the companies in order to improve their awareness of, and strengthen their controls over, matters such as corporate governance in management, internal controls, regulatory compliance in operations and risk management. We were reviewed by the CIRC in 2006 and were found to be in general compliance with rules and regulations of CIRC, other than a small number of breaches by our branches which resulted in us being sanctioned by way of fines, none of which were material. The breaches mainly included improper handling of certain premiums received, which violated relevant CIRC rules and regulations. The fines imposed by CIRC ranged from RMB 20,000 (US$2,563) to RMB 500,000 (US$64,069). All the fines have been paid in full.

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

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed information regarding our embedded value, as discussed in the section entitled, Item 8. Financial Information Embedded Value . These measures are based on a discounted cash flow valuation determined using commonly applied actuarial methodologies. Standards with respect to the calculation of embedded value are still evolving, however, and there is no single adopted standard for either the form, determination or presentation of the embedded value of an insurance company. Moreover, because of the technical complexity involved in embedded value calculations and the fact that embedded value estimates vary materially as key assumptions are changed, you should read the discussion under the section entitled Item 8. Financial Information Embedded Value in their entirety. You should use special care when interpreting embedded value results and should not place undue reliance on them. See also Forward-Looking Statements .

Risks Relating to the PRC Life Insurance Industry

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

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

Competition among domestic life insurance companies is increasing

Our nearest competitors are Ping An Life Insurance Company of China, Ltd., or Ping An, and China Pacific Life Insurance Co. Ltd., or China Pacific Life. Together, Ping An, China Pacific Life and we accounted for more than 74% of the individual and group life insurance premiums in China in 2005, the last year for which official market information is available. Each of Ping An and China Pacific Life has operated in the Chinese insurance market for more than ten years, and each has a recognized brand name. Ping An had a greater market share than we did in Beijing in 2005. We also face competition from smaller insurance companies, which may develop strong positions in various regions in which we operate, and new entrants to group life insurance market, including professional pension companies that are being established pursuant to a set of regulations promulgated by the Ministry of Labor and Social Security, and new entrants to the health insurance industry, including newly approved and established professional health insurance companies, following adoption by the Chinese government of policies that encourage the development of health insurance and improved health care in China.

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

Foreign-invested life insurance companies are insurance companies in which foreign entities hold at least a 25.0% interest. Until December 11, 2004, foreign-invested life insurance companies were permitted to operate only in specified cities and may not offer

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group life insurance, health insurance and annuities or other pension-like products. As a result of these and other restrictions on foreign-invested life insurance companies operating in China, foreign-invested insurers accounted for less than 3% of the nationwide market share of life insurance products in 2004, although some have already gained significant market shares in the life insurance market in some areas in China. In Shanghai, Guangzhou and Shenzhen, where foreign-invested insurers have been allowed to operate since 1992, 1995 and 1999, they had respective life insurance market shares of approximately 20%, 24% and 14% in 2005. However, these barriers to foreign insurers entry into the Chinese insurance market were phased out as a result of China s accession to the World Trade Organization, or WTO, in December 2001, which allows foreign insurers to sell health, annuity and group life insurance products nationwide by December 2004. It was reported that due to several large group annuity policies underwritten by Sino-foreign insurance joint ventures for their Chinese investors, the market shares of foreign invested insurance companies increased substantially in 2005. We believe that the relaxation of the restrictions on foreign-invested insurers will continue to increase the competitive pressures we are facing. Foreign-invested life insurance companies, through their Chinese and/or foreign shareholders, may have access to greater financial, technological or other resources than we do.

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

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

Property and casualty companies. Beginning on January 1, 2003, property and casualty insurance companies have been permitted to sell accident and short-term health insurance products, but only with regulatory approval. There were 36 property and casualty insurers as of December 31, 2006. We believe property and casualty insurers have the competitive advantage of being able to bundle, or cross-sell, accident and health products with the other non-life insurance products that they are currently selling to their existing and potential customers. We believe this will lead to greater competition in the accident and health insurance sectors, especially for the group accident and short-term health insurance products we offer. On December 30, 2006, we established a property and casualty joint venture, China Life Property and Casualty Insurance Company Limited, with CLIC. As this joint venture is newly established, we are unable to determine the impact of the establishment of the joint venture on our sales of accident and short-term health insurance products.

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

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All of our agents are required to be qualified and to be registered as business entities. If these qualification and registration requirements are enforced or result in policyholders canceling their policies, our business may be materially and adversely affected

Life insurance agents are required to obtain a qualification certificate from the CIRC in order to conduct insurance agency business. See Item 4. Information on the Company Business Overview Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries . Approximately 6% of our individual agents had not obtained such a certificate as of December 31, 2006. In May 2004, the CIRC issued a circular requiring insurance companies to take effective measures in carrying out the qualification certification requirement. In 2005, CIRC agencies in certain provinces started to enforce the CIRC qualification requirements. Furthermore, in April 2006, the CIRC issued regulations on administration of individual agents, effective on July 1, 2006, in order to further strengthen the administration of individual agents. Pursuant to these regulations, insurance companies that retain individual agents without CIRC qualification certificates and underwriting certificates to engage in insurance sales activities will be warned and fined up to RMB 30,000, and the responsible member of senior management of such insurance companies will be warned and fined up to RMB 10,000. In serious circumstances, the CIRC may order the insurance companies to remove the responsible member of senior management from office and reject the application of setting up branch offices by such insurance companies. In addition, we understand that the CIRC may require, in the near future, that every individual agent must wear credentials showing specified information, including whether or not the agent is licensed, when conducting agency business. If more CIRC agencies were to enforce this regulation in the future, and if a substantial number of our agents do not become licensed or qualified, or if a substantial number of our policyholders who bought insurance policies through our unqualified exclusive agents were to cancel the policies because of this regulation, our business may be materially and adversely affected. Moreover, we may be subject to fines and other administrative proceedings for the failure of our insurance agents to obtain the necessary CIRC qualification certificate. Any such fines or administrative proceedings could materially and adversely affect our business, financial condition and results of operations.

Under the PRC insurance law, life insurance agents are required to be registered with and obtain business licenses from the local administrative bureaus of industry and commerce. Historically, this requirement has not been generally enforced, and it is our understanding that the State Administration for Industry and Commerce, or SAIC, does not have procedures in place to effect the registration and licensing of individual insurance agents. Consequently, as we believe is also the case with other insurance companies operating in China, substantially all of our individual agents are not in compliance with this requirement. To date, this noncompliance has not had a material adverse effect on CLIC or ourselves. The Regulations on the Administration of Insurance Salespersons issued by CIRC in April 2006 do not have such requirement. We do not know whether the local bureaus of the SAIC will enforce this requirement under the PRC insurance law in the future. If it were to be enforced in the future, our agents would be required to register and obtain business licenses. We cannot assure you that all of our agents would obtain such licenses, and the enforcement of this requirement could adversely affect the composition and effectiveness of our individual agent distribution system, which could have a material adverse effect on our business.

The further development of regulations in China may impose additional costs and restrictions on our activities

We operate in a highly regulated industry. The CIRC supervises and administers the insurance industry in China. In exercising its authority, it is given wide discretion to administer the law. China s insurance regulatory regime is undergoing significant changes toward a more transparent regulatory process and a convergent movement toward international standards. Some of these changes may result in additional costs or restrictions on our activities. Among other things, changes in 2003 to determinations of statutory reserves and solvency requirements have affected adversely our income under PRC GAAP and the amount of capital we are required to maintain. Recent CIRC regulations requiring the submission to CIRC on an annual basis of an actuarial report by April 30 of each year, effective January 1, 2006, may further affect the determinations of our statutory reserves and solvency margins and hence our

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income under PRC GAAP. In addition, because the terms of our products are subject to regulations, changes in regulations may affect our profitability on the policies and contracts we issue. For instance, under guidelines issued by the CIRC, the dividends on our participating products must be no less than 70% of the distributable earnings from participating products in accordance with CIRC requirements. If this level were to be increased in the future, our profitability could be materially and adversely affected.

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

We are required by CIRC regulation to maintain our solvency at a level in excess of minimum solvency levels. Our minimum solvency is affected primarily by the policy reserves we are required to maintain which, in turn, are affected by the volume of policies and contracts we sell and by regulations on the determination of statutory reserves. Our solvency is also affected by a number of other factors, including the profit margin of our products, returns on our investments, underwriting and acquisition costs and policyholder and shareholder dividends. Our solvency margin as of December 31, 2006 was approximately 3.5 times the minimum regulatory requirement. Our actual solvency ratio was slightly higher than the acceptable range provided by the CIRC. The increase in our actual solvency ratio was due to the proceeds received from our A share offering. While our solvency margin is above the required level currently, if we continue to grow rapidly in the future, or if the required solvency margin is raised in the future, we may need to raise additional capital to meet our solvency requirement, including through additional issuances of shares, which would be dilutive to our existing investors. If we are not able to raise additional capital, we may be forced to reduce the growth of our business.

Risks Relating to the Restructuring

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

In connection with the restructuring, CLIC transferred to us (1) all long-term insurance policies (policies having a term of more than one year from the date of issuance) issued on or after June 10, 1999, having policy terms approved by or filed with the CIRC on or after June 10, 1999 and either (i) recorded as a long-term insurance policy as of June 30, 2003 in a database attached to the restructuring agreement as an annex or (ii) having policy terms for group supplemental medical insurance (fund type), (2) stand-alone short-term policies (policies having a term of one year or less from the date of issuance) issued on or after June 10, 1999 and (3) all riders supplemental to the policies described in clauses (1) and (2) above, together with the reinsurance contracts specified in an annex to the restructuring agreement. All other insurance policies were retained by CLIC. See Item 4. Information on the Company History and Development of the Company Our Restructuring . CLIC has incurred substantial losses on these non-transferred policies, primarily because the guaranteed rates it had committed to pay on these policies are higher than the investment return it was able to generate on its investment assets. This negative spread on non-transferred policies created substantial losses for CLIC and a resulting negative net worth. As of September 30, 2003, CLIC s shareholders equity was a deficit of RMB 251,661 million (US$31,184 million). CLIC is expected to continue to incur losses on the retained policies at least for the near term.

In connection with the restructuring, CLIC has established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. The special purpose fund will be funded by investment assets retained by CLIC; renewal premiums paid on the non-transferred policies over time; all of the tax payments made by CLIC, China Life and AMC;

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profits from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by China Life; proceeds from the disposition of China Life shares by CLIC over time; and funds injected by the MOF in the event of a deficiency in the special purpose fund, as described below. The fund is co-administered by CLIC and the MOF. The special purpose fund will be available to satisfy CLIC s operating expenses, including the payment of benefits and claims obligations arising from the non-transferred policies, as well as expenses incurred in operating the special purpose fund, including third-party management fees and professional fees, and such other purposes as the management committee of the fund may agree. The special purpose fund will be dissolved when all claims and benefits under the non-transferred policies have been paid, or sooner if the management committee so agrees.

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

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

CLIC does not meet the minimum solvency requirements under CIRC solvency regulations. The CIRC has broad powers under these regulations and the insurance law in the event an insurance company fails to meet its minimum solvency requirements. These may include ordering the sale of the assets or transfer of the insurance business of an insurance company in default under these requirements to a third party and appointing a receiver to take over the management of the insurance company. We believe that, in light of the MOF s approval described above, it is unlikely that the CIRC will take these actions. However, we cannot assure you that the CIRC will not take actions against CLIC, which could have a material adverse effect on us.

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

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

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

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

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

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

We are controlled by CLIC, whose interests may conflict with those of our other shareholders. As of April 30, 2007, CLIC holds 68.4% of our share capital. As a result of these factors, CLIC, which is wholly-owned by the PRC government, will, so long as it holds the majority of our shares, effectively be able to control the composition of our board of directors and, through the board, exercise a significant influence over our management and policies. In addition, subject to our articles of association and applicable laws, CLIC may, so long as it holds the majority of our shares, effectively be able to determine the timing and amount of our dividend payments and approve increases or decreases of our share capital, the issuance of new securities, amendments of our articles of association, mergers and acquisitions and other major corporate transactions. CLIC may also be able to prevent us effectively from taking actions to enforce or exercise our rights under agreements to which we are a party, including the agreements we entered into with CLIC in connection with the restructuring. See Item 7. Major Shareholders and Related Party Transactions . As majority shareholder, CLIC may be able to take these actions without your approval. In addition, CLIC s control could have the effect of deterring hostile takeovers or delaying or preventing changes in control or changes in management that might be desirable to other shareholders.

CLIC may direct business opportunities elsewhere

CLIC has other business interests, including the run-off of the insurance policies retained by it in the restructuring. Notwithstanding a general undertaking pursuant to a non-competition agreement with us not to compete with us in our principal areas of business in China, CLIC is permitted to sell riders to these retained policies and enter into other businesses, including life insurance businesses outside of China and property and casualty (other than businesses that compete with our accident and health businesses) and asset management businesses, both inside and outside of China. We formed a property and casualty joint venture with CLIC, in connection with which we granted a waiver to CLIC allowing it to engage in accident and short-term health businesses indirectly through the property and casualty joint venture with us. CLIC is also engaged in the life insurance business in Shanghai through its joint venture with Colonial Mutual Group, an Australian financial services company, of which CLIC owns 51.0% and which CLIC has agreed to dispose of prior to December 18, 2006. As of the date of this annual report, the transfer of CLIC s equity interest in this joint venture is still ongoing. It also may engage in insurance business in other regions outside China in the future. Although it is required under the non-competition agreement to give us a right of first refusal over any business opportunities it develops in these areas, we may not be in a position to take advantage of these opportunities at that time, which could harm our business. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions Non-Competition Agreement .

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

Risks Relating to the People s Republic of China

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

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including:

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

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

While China s economy has experienced significant growth in the past twenty years, growth has been uneven across both geographic regions and the various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China but may have a negative effect on us. For example, our operating results and financial condition could be materially and adversely affected by government monetary policies, changes in interest rate polices, tax regulations or policies and regulations affecting the securities markets and asset management industry. In addition, due to China s recent fast growing economy, the Chinese government is expected to take certain measures to slow down economic growth. For example, in October 2004, the interest rate on one-year term deposits, a key benchmark rate, was raised from 1.98% to 2.25%. In August 2006 and March 2007, the interest rate on one-year term deposits was further raised from 2.25% to 2.52% and from 2.52% to 2.79% respectively. A slowdown in Chinese growth rates could adversely affect us by impacting sales of our products, reducing our investment returns, or otherwise.

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

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

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

In accordance with the rules applicable to Chinese overseas listed companies, our articles of association provide that, with certain limited exceptions, all disputes or claims based on our articles of association, PRC company law or other relevant laws or administrative rules, and concerning matters between holders of H shares and holders of A shares, us, or our directors, supervisors, president, vice presidents or other senior officers, must be submitted for arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center. If an applicant chooses to have the dispute arbitrated at the Hong Kong International Arbitration Center, either party may request that the venue be changed to Shenzhen, a city in China near Hong Kong. The governing law for any such disputes or claims is Chinese law, unless Chinese law itself provides otherwise. Pursuant to an arrangement of mutual enforcement of arbitration awards between the PRC courts and the Hong Kong courts, Hong Kong arbitration awards are enforceable in China. However, to our knowledge, no action has been brought in China by any holder of shares issued by a Chinese company to enforce an arbitral award. As a result, we are uncertain as to the outcome of any action brought in China to enforce an arbitral award made in favor of holders of H shares.

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

Unlike laws in the United States, the applicable laws of China did not specifically allow shareholders to sue the directors, supervisors, officers or other shareholders on behalf of the company to enforce a claim against these parties that the company has failed to enforce itself until January 1, 2006, when the amendments to Chinese company law passed in 2005 became effective. Although the amended Chinese company law provides that shareholders, under certain circumstances, may sue the directors, supervisors and senior management on behalf of the company, no detailed implementation rules or court interpretations have been issued in this regard. Also, class action lawsuits are generally not available in China. In addition, PRC company law imposes limited obligations on a controlling shareholder with respect to protection of minority shareholders, although overseas listed joint stock companies, such as ourselves, are required to adopt certain provisions in their articles of association that are designed to protect minority shareholder rights. These mandatory provisions provide, among other things, that the rights of any class of shares, including H shares, may not be varied without a resolution approved by holders of shares in the affected class holding not less than two-thirds of the shares of the affected class entitled to vote, and provide that in connection with a merger or division involving our company, a dissenting shareholder may require us or the consenting shareholders to purchase the dissenters shares at a fair price. Disputes arising from these protective provisions would likely have to be resolved by arbitration. See Holders of H shares and ADSs generally are required to resolve disputes with us, our senior management and holders of our A shares only through arbitration in Hong Kong or China .

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

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

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Holders of H shares may be subject to PRC taxation

Under the PRC s current tax laws, regulations and rulings, dividends paid by us to holders of H shares outside the PRC currently are exempted from PRC income tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of H shares currently are exempted from PRC income tax. If the exemptions are withdrawn in the future, holders of H shares may be required to pay withholding taxes on dividends, which are currently imposed at the rate of 20%, or capital gains tax, which currently may be imposed upon individuals at the rate of 20%. See Item 10. Additional Information Taxation The People s Republic of China .

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

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

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

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China s political and economic conditions. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0% against the U.S. dollar. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People s Bank of China announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. From July 21, 2005 to May 11, 2007, the Renminbi has appreciated by approximately 7.72%. We had approximately RMB 639 million (US$82 million) foreign exchange losses for the year ended December 31, 2006, resulting from our assets held in foreign currencies, which were affected by the appreciation of the Renminbi. Any devaluation of the Renminbi, on the other hand, may materially and adversely affect the value of, and any dividends payable on, our H shares in foreign currency terms, since we will receive substantially all of our revenues, and express our profits, in Renminbi. Our financial condition and results of operations also may be affected by changes in the value of certain currencies other than the Renminbi.

Payment of dividends is subject to restrictions under Chinese law

Under Chinese law, dividends may be paid only out of distributable profits. Distributable profits means our after-tax profits as determined under PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and allocations to statutory funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, ordinarily we will not pay any dividends in a year in which we do not have any distributable profits.

The calculation of distributable profits for an insurance company under PRC GAAP differs in many respects from the calculation under HKFRS. As a result, we may not be able to pay any dividend in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under HKFRS. A strengthening in the statutory reserve requirements applicable to life insurance companies operating in China, which came into effect on December 31, 2003, led to a one-time adjustment to our PRC GAAP earnings in 2003. Payment of dividends by us is also regulated by the PRC insurance law. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Policy on Dividend Distributions .

ITEM 4. INFORMATION ON THE COMPANY.

HISTORY AND DEVELOPMENT OF THE COMPANY

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

General Information

Our principal executive offices are located at 16 Chaowai Avenue, Chaoyang District, Beijing 100020, China. Our telephone number is (86-10) 8565-9999. Our website address is www.e-chinalife.com. The information on our website is not a part of this annual report. We have appointed CT Corporation System at 111 Eighth Avenue, New York, New York 10011 as our agent for service of process in the United States.

Our Restructuring

Restructuring Plan and Governmental Approval

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

In connection with the restructuring:

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

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Cash, specified investment assets and various other assets were transferred to us. CLIC retained cash, specified investment assets and various other assets, including all assets relating to the non-insurance businesses carried out by CLIC prior to the restructuring. See Transfer of Insurance Policies and Related Assets .

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

Substantially all of the management personnel and employees who were employed by CLIC in connection with the transferred assets and businesses were transferred to us. Some management and personnel remained with CLIC. See Transfer of Insurance Policies and Related Assets .

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

CLIC s contracts with its agents and other intermediaries were transferred to us. See Transfer of Insurance Policies and Related Assets .

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

The net assets transferred to us had a carrying value at June 30, 2003 of RMB 29,608 million, as determined under PRC valuation regulations. This is equivalent to RMB 36,182 million, as determined under HKFRS. In consideration of this transfer, and pursuant to an approval issued by the MOF in 2003, we issued 20,000,000,000 domestic shares comprising the entire registered and paid-up capital of our company. As of the date of this annual report, CLIC owned approximately 68.4% of our issued share capital.

CLIC has committed to pay some of its retired employees a pension supplement through December 31, 2007. The present value of the aggregate estimated future payments to be made by CLIC, amounting to RMB 185 million, has been recognized as an expense to CLIC and a corresponding capital contribution to China Life in the 2003 financial statements. Payments made to similar former employees during the three-year period ended December 31, 2002 were expensed as paid. The amounts paid were RMB 51 million in 2000, RMB 55 million in 2001, RMB 56 million in 2002 and RMB 23 million in 2003. Obligations relating to these retired employees were retained by CLIC. Accordingly, these payments will be the responsibility of CLIC following the restructuring under the restructuring agreement entered into between CLIC and us.

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Transfer of Insurance Policies and Related Assets

In connection with the restructuring, CLIC transferred to us the transferred policies. The non-transferred policies were retained by CLIC. We assumed all obligations and liabilities of CLIC under the transferred policies. CLIC continues to be responsible for its liabilities and obligations under the non-transferred policies following the effective date.

We chose June 10, 1999 as the date for the separation between the transferred policies and the non-transferred policies because CLIC adopted new pricing policies as an immediate response to an emergency notice issued by the CIRC on June 10, 1999, as more fully described below:

The CIRC was established as the industry regulator in 1998. The People s Bank of China was the industry regulator prior to the CIRC s establishment.

Immediately prior to June 10, 1999, the pre-determined rate of all policies sold by CLIC was 5.00%. The maximum pre-determined rate which life insurance companies could commit to pay on policies was 5.00%, as set by the People s Bank of China, the insurance regulator at the time.

These events were set against the background of low and declining investment returns available to life insurance companies in the PRC at the time. The interest rate on one-year term deposits, a key benchmark rate, was 2.25% on June 10, 1999.

To address the systemic risks to the industry arising from the negative spread problem (high pre-determined rates on policies against low investment return), the CIRC issued an emergency notice on June 10, 1999 whereby the maximum pre-determined rate which life insurance companies could commit to pay on new policies was reduced to 2.50% per annum.

To comply with the requirements of the CIRC s emergency notice, CLIC ceased to sell policies filed with or approved by the People s Bank of China or the CIRC before June 10, 1999, and from then onwards started to sell new policies with pre-determined rates which were equal to or below 2.50% in the new industry environment.

The change in pricing policy made by CLIC on June 10, 1999 as an immediate response to the emergency notice issued by CIRC, differentiates the transferred policies and the non-transferred policies.

In connection with the restructuring, CLIC s assets as at June 30, 2003 were divided between CLIC and ourselves in accordance with the restructuring agreement entered into between CLIC and ourselves. Premiums receivable were allocated to the transferred and non-transferred policies based on the specific policies to which they relate. Property, plant and equipment and other operating assets were allocated based on the terms of the restructuring agreement. Investments in respect of participating policies were allocated to the transferred policies, since all participating business has been transferred. Unlisted equity securities and investment properties were allocated to CLIC. The remaining investment assets, including term deposits, debt securities, equity securities, repurchase agreements and cash and cash equivalents, were allocated so as to ensure that the book value of China Life as of June 30, 2003 was RMB 29,608 million, as determined under PRC valuation regulations. This is equivalent to RMB 36,182 million as determined under HKFRS, due to differences between PRC GAAP and HKFRS. The proportions of each of these classes of assets allocated to CLIC and ourselves were similar.

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Insurance policies

Under the plan of restructuring, on the effective date, CLIC transferred to us the transferred policies.

We have been advised by our PRC legal counsel, King & Wood, that: (1) the transferred policies have been legally and validly transferred to us and (2) following the restructuring we will not have any continuing obligations to holders of the non-transferred policies and that there is no legal basis on which holders of the non-transferred policies can make a claim against China Life. See Item 3. Key Information Risk Factors Risks Relating to the Restructuring .

Investment and other business assets

In the restructuring, CLIC transferred to us cash and investment assets, various intellectual property rights and various other business assets, including the software system for operating our business. CLIC retained cash and specified investment assets, as well as assets relating to the non-core, non-insurance business carried out by CLIC prior to the restructuring.

For information about CLIC s investment assets and the investment assets that were transferred to us in connection with the restructuring, see Business Overview Investments .

Investment assets

All investment assets in respect of participating policies were transferred to us, since all participating business has been transferred to us. The remaining investment assets, including term deposits, fixed maturity securities, equity securities, repurchase agreements and cash and cash equivalents, but excluding unlisted equity securities and investment properties which were retained by CLIC, were allocated between CLIC and ourselves so as to ensure that the book value of China Life as of June 30, 2003 was RMB 29,608 million, as determined under PRC valuation regulations. The proportions of each of these classes of assets allocated to CLIC and ourselves were similar.

Real properties

In connection with the restructuring, land use rights relating to 2,978 parcels of land with an aggregate site area of approximately 3,145,000 m^2 were transferred to us.

In addition, 3,443 completed buildings, including our headquarters in Beijing, and various ancillary structures, with an aggregate total gross floor area of approximately 3,997,000 m^2, and 65 buildings and structures which were under construction, with an aggregate total gross floor area of approximately 350,000 m^2 upon completion, were transferred to us. Of the 3,443 buildings, 372 properties with an aggregate gross floor area of approximately 66,800 m^2 were leased to independent third parties.

Receivables, chattels, etc.

Accounts receivable associated with the transferred policies and other accounts receivable which accrued on or after June 30, 1999 and which remained on the books as of June 30, 2002, as well as specified deferred assets, prepaid expenses, low cost consumables and other assets as of the same date, were transferred to us.

Intellectual property and business assets

The following intellectual property and business assets were transferred to us:

- All original and duplicate policies, business records, financial and accounting records, business data, statistical information, training manuals, technical records, information, data, know-how and manuals and research and development information relating to the businesses constituted by the transferred policies.

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All of CLIC s rights and licenses relating to software used in its insurance businesses, including its core business processing system, customer service center system, comprehensive inquiry system, individual agency management system, customer support system, accounting and financial management system, participating policy monitoring system, analysis system, business file imaging system and individual agency marketing support system.

All permits, licenses, approvals, certificates, authorizations and other like instruments related to the operation of the assets transferred to us.

All claims, rights to setoff, cause of action and similar rights held by CLIC against third parties arising from the transferred assets and policies.

Insurance agency contracts

As of June 30, 2003, CLIC had agency contracts with approximately 650,000 individual agents and other insurance agencies. CLIC has transferred to us all of its rights and obligations under these contracts. The restructuring agreement provides that commissions due under these contracts in connection with the transferred polices, the accrued amount of which was RMB 1,098 million as of June 30, 2003, will be borne by us, and commissions due in connection with non-transferred policies, the accrued amount of which was RMB 40 million as of June 30, 2003, will be borne by CLIC.

Assumed liabilities

We assumed the future benefit liabilities relating to the transferred policies.

In addition, the accounts payable and other accounts payable incurred on or after June 30, 1999 associated with the transferred policies were transferred to us, and those associated with the non-transferred policies were retained by CLIC.

CLIC previously entered into securities repurchase agreements in connection with the management of its investment assets. See Business Overview Investments . We assumed a portion of CLIC s obligations to repurchase securities sold to third parties under these repurchase agreements.

Management personnel and employees

CLIC transferred approximately 67,000 employees to us, including approximately 9,000 management personnel.

We did not assume any obligations for the welfare benefits of the employees retained by CLIC and of the transferred employees for any period while they were employed by CLIC. These obligations, including obligations in respect of some employees whose employment contracts were terminated or who were asked to retire prior to the restructuring in exchange for these benefits, will be borne by CLIC and are not our obligations.

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Assets retained by CLIC

CLIC retained the remaining assets it held at the time of the restructuring. These include:

- Specified fixed assets and intangible assets, including real properties with associated land use rights and the trademarks in the China Life name (in English and Chinese) and the ball logos.

- Accounts receivable and other receivables accrued before June 30, 1999 or accrued after June 30, 1999 and associated with the non-transferred policies or other businesses retained by CLIC. CLIC also retained a portion of the assets associated with construction-in-progress projects.

- Assets relating to CLIC s non-core, non-insurance businesses (principally investments in property, hotels and other operations through subsidiaries).

Insurance policies retained by CLIC

CLIC has incurred substantial losses on these non-transferred policies, primarily because the pre-determined rates built into these policies and hence the implied rates at which CLIC was obligated to pay or accrue reserves on these policies are higher than the investment return it was able to generate on its investment assets. See Business Overview Regulatory and Related Matters Insurance Company Regulation Regulation of insurance and annuity products generally . This outcome, which has been experienced by other major life insurers in China, is called a negative spread . From 1996 to 1999, the central bank of China made several cuts in interest rates, reducing the income CLIC was able to generate on its investment assets to below the guaranteed rate it was required to pay on its policies. In 1999, the CIRC reduced the maximum guaranteed rate insurers were allowed to pay and, as a result, CLIC has not experienced a negative spread on policies issued thereafter.

Shareholders equity of our predecessor, CLIC, was a deficit of RMB 251,661 million (US$31,184 million) as of September 30, 2003 and a deficit of RMB 243,237 million as of December 31, 2002. The net losses incurred by our predecessor were RMB 5,925 million (US$734 million) for the nine months ended September 30, 2003 and RMB 4,706 million and RMB 3,525 million for 2001 and 2002, respectively. These losses were attributable to losses incurred by our predecessor on policies retained by CLIC in the restructuring, which have offset the profitability of the policies transferred to us.

In connection with the restructuring, CLIC has established, together with the MOF, a special purpose fund for the purpose of paying claims under the non-transferred policies. The special purpose fund will be funded by investment assets retained by CLIC; renewal premiums paid on the non-transferred policies over time; a portion of the tax payments made by China Life under the tax rebate mechanism described below; profits from the investments of the special purpose fund; shareholder dividends paid in cash to CLIC by China Life; proceeds from the disposition of China Life shares by CLIC over time; and funds injected by the MOF in the event of a deficiency in the special purpose fund, as described below. The special purpose fund is co-administered by CLIC and the MOF. The special purpose fund will be available to satisfy CLIC s operating expenses, including the payment of benefits and claims obligations arising from the non-transferred policies, as well as expenses incurred in operating the special purpose fund, including third-party management fees and professional fees, and such other purposes as the management committee of the fund may agree. A management committee comprised of three representatives from the MOF and three representatives from CLIC oversees the management of the fund, with specified material items subject to the approval of the MOF. The special purpose fund will be dissolved when all claims and benefits under the non-transferred policies have been paid, or sooner if the management committee so agrees.

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

In accordance with generally applicable tax laws and regulations, CLIC, AMC and ourselves will file income tax returns and pay our respective income taxes as separate and independent taxpayers. According to a circular issued by the MOF, all of the income tax payments made by CLIC and us during the period of January 1, 2003 to December 31, 2010 will be rebated to CLIC. All of the income tax payments made by AMC may also be rebated to CLIC, if the current shareholding structure of AMC remains unchanged. This tax rebate policy is different from the tax rebate mechanism we expected to be approved at the time of our IPO in 2003, and indicates MOF s strong support to CLIC.

CLIC does not meet the minimum solvency requirements under CIRC solvency regulations. The CIRC has broad powers under these regulations and the insurance law in the event an insurance company fails to meet its minimum solvency requirements. These may include ordering the sale of the assets or transfer of the insurance business of an insurance company in default of these requirements to a third party and appointing a receiver to take over the management of the insurance company. See Business Overview Regulatory and Related Matters Insurance Company Regulation Solvency requirements . We believe that, in light of the MOF approval described above, it is unlikely that the CIRC will take these actions. However, we cannot assure you that the CIRC will not take actions against CLIC, which could have a material adverse effect on us.

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

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

Developments After Restructuring

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

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

In December, 2006, we issued 1,500,000,000 new ordinary domestic shares through public offering on the SSE at the offer price of RMB 18.88 per share, raising RMB 28,320 million. The A shares have been listed on the SSE since January 9, 2007.

We incurred capital expenditures of RMB 1,750 million (US$224 million), RMB 1,098 million and RMB 1,063 million in 2006, 2005 and 2004. These capital expenditures mainly comprised the addition of buildings. In 2006, we entered into agreements with other promoters to establish Bohai Venture Capital Fund where we committed to contribute RMB 500 million to Bohai Venture Capital Fund and RMB 5 million to Bohai Venture Capital Fund Management Company, of which RMB 50 million was paid to the fund on December 25, 2006 and RMB 2.5 million was paid to the fund management company on January 31, 2007. The remaining RMB 452.5 million will be paid when called. For a description of further investments made by us, see Business Overview Investments.

BUSINESS OVERVIEW

We had nearly 90 million individual and group life insurance policies, annuity contracts and long-term health insurance policies in force as of December 31, 2006. We also offer accident and short-term health insurance policies to individuals and groups. The guaranteed rate of return for life insurance products has been capped at 2.50% by the CIRC since June 1999. As of December 31, 2006, the average guaranteed rate of return of the products we offered was 2.35%.

Individual Life Insurance

We are the leading provider of individual life insurance and annuity products in China. We offer life insurance and annuity products to individuals, primarily through a distribution force comprised of approximately 650,000 exclusive agents operating in approximately 15,000 field offices throughout China, as well as other non-dedicated agencies located at branch offices of banks, banking operations of post offices and other organizations. The financial results of our individual long-term health insurance business are also reflected in our individual life insurance business segment. Gross written premiums and policy fees generated by our individual life insurance products, including long-term health insurance products, totaled RMB 86,587 million (US$11,095 million) for the year ended December 31, 2006 and RMB 68,888 million for the year ended December 31, 2005, constituting 87.1% and 85.0% of our total gross written premiums and policy fees for those periods. The figure for 2006 represented a 25.7% increase over 2005. First-year gross written premiums from individual life insurance products in 2006 were RMB 80,086 million (US$10,262 million), representing a 26.7% increase from 2005. First-year single gross written premiums for the same period were RMB 1,175 million (US$151 million), representing 5.2% of first-year individual life insurance gross written premiums. Deposits generated by our individual life insurance and annuity products totaled RMB 70,355 million (US$9,015 million) for the year ended December 31, 2006 and RMB 62,483 million for the year ended December 31, 2005, constituting 76.9% and 72.7% of our total deposits for those periods. The figure for 2006 represented a 12.6% increase from 2005.

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

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	As of or for the year ended December 31,				Compound Annual growth rate
	2004	2005	2006	2006	(2004-2006)
	RMB	RMB	RMB	US$	
	(in millions, except as otherwise indicated)				
Individual life gross written premiums and policy fees	54,909	68,888	86,587	11,095	25.58%
First-year single gross written premiums	2,526	1,085	1,175	283	(6.57)%
First-year regular gross written premiums	17,374	18,489	21,484	2,764	11.42%
First-year gross written premiums	19,900	19,574	22,659	3,046	9.30%
Individual life insurance deposits	66,981	62,483	70,355	9,015	2.49%
First-year single deposits	52,343	46,061	53,658	6,876	1.25%
First-year regular deposits	2,319	3,083	2,902	372	11.87%
First-year deposits	54,662	49,144	56,560	7,247	1.72%
Liabilities of long-term traditional insurance contracts	88,985	123,457	170,954	22,152	39.38%
Deferred income	27,039	34,104	40,744	5,301	23.70%
Liabilities of long-term investment type insurance contracts and investment contracts	190,791	235,847	281,847	42,450	31.77%

Products

We offer a wide variety of life insurance and annuity products to individuals, providing a wide range of coverage for the whole length of a policyholder s life. Our individual life insurance and annuity products consist of whole life and term life insurance, endowment insurance and annuities. The financial results of our long-term health insurance business are also reflected in our individual life insurance business segment.

We offer both non-participating and participating products. There were approximately 52.8 million non-participating polices and 33.3 million participating polices as of December 31, 2006, among which approximately 38.8 million non-participating polices and 25.2 million participating policies are offered to individuals. Net premiums earned and policy fees of participating policies of individual life insurance products represent approximately 52.9% of total net premiums earned and policy fees for individual life insurance products in 2006. Non-participating products provide a fixed rate of return with a guaranteed benefit. We and CLIC have not incurred negative spread on these and other policies transferred to us in the restructuring, as the average investment returns we have been able to generate have been higher than their guaranteed rates. See Item 3. Key Information Risk Factors Risks Relating to Our Business We are Exposed to Changes in Interest Rates . The holder of a participating product is entitled to share a portion of our distributable earnings from participating products, as determined by us based on formulas prescribed by the CIRC. Under guidelines issued by the CIRC, the dividends must be no less than 70% of the distributable earnings from participating products. Participating life insurance and annuity products, which were first introduced in 2000, have become our fastest-growing individual life insurance and annuity products.

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

	For the year ended December 31,			
	2004	2005	2006	2006
	RMB	RMB	RMB	US$
	(in millions)			
Whole life and term life insurance:				
Gross written premiums	19,812	23,494	28,257	3,621
First-year gross written premiums	4,737	5,214	6,299	807
Total single gross written premiums	141	131	38	5
Endowment:				
Gross written premiums	26,511	35,480	43,582	5,585
First-year gross written premiums	13,888	13,012	11,726	1,503
Deposits	65,569	60,310	69,583	8,916

First-year deposits	53,393	47,072	55,856	7,157
Annuities:				
Gross written premiums	3,790	4,231	8,247	1,057
First-year gross written premiums	1,275	1,348	4,634	594
Deposits	1,412	2,173	772	99
First-year deposits	1,269	2,072	704	90

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Whole Life and Term Life Insurance

Non-participating whole life and term life insurance

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

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

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

Non-participating term life insurance products provide a guaranteed benefit upon the death of the insured within a specified time period in return for the periodic payment of fixed premiums. Specified coverage periods generally range from 5 to 20 years or expire at specified ages. Death benefits may be level over the period or increasing. Premiums are typically at a level amount for the coverage period. Term life insurance products are sometimes referred to as pure protection products, in that there are normally little or no savings or investment elements. Unlike endowment products, term life insurance policies expire without value at the end of the coverage period if the insured person is still alive.

Participating whole life insurance

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

Endowment

Non-participating endowment products

Non-participating endowment products provide to the insured various guaranteed benefits if the insured survives specified maturity dates or periods stated in the policy, and provide to a beneficiary designated by the insured guaranteed benefits upon the death of the insured within the coverage period, in return for the periodic payment of premiums. Specified coverage periods generally range from 5 to 20 years or end at specified ages. Premiums are typically at a level amount for the coverage period.

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

Participating endowment products

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

Participating endowment products are among our fastest growing product lines. Hong Feng Endowment and Hong Xin Endowment have had the highest level of sales of our investment-type and risk-type participating endowment products. Hong Feng Endowment had RMB 48,189 million (US$6,175 million) of deposits in 2006, representing 68.5% of total deposits of our individual life insurance business and 85.2% of total first-year deposits of our individual life insurance business. Hong Xin Endowment had RMB 26,781 million (US$3,432 million) of gross written premiums in 2006, representing 30.9% of total gross written premiums and policy fees of our individual life insurance business. First-year gross written premiums of Hong Xin Endowment for the year ended December 31, 2006 were RMB 8,360 million (US$1,071 million), representing a 24.5% decrease from the year before, or 36.9% of total first-year gross written premiums of our individual life insurance business. Total deposits from our individual participating products in 2006 decreased by 16.1%, to RMB 63,706 million (US$8,163 million) from RMB 75,964 million in 2005. Total net premiums earned from our risk-type participating products increased by 32.2%, to RMB 41,001 million (US$5,254 million) in 2006 from RMB 31,016 million in 2005.

In January 2007, our new risk-type participating endowment product Mei Man Yi Sheng was introduced to the market.

Annuities

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

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

Joint Life and Universal Products

We began the sale of joint life and universal products in certain provinces on a trial basis since 2005.

Joint life products are life insurance policies, for which there are two or more persons insured under one policy. Joint life products can be term life, whole life or universal products. Universal life products are life insurance policies with flexible premium and benefit amounts. For each universal life policy, we establish a separate account and determine the interest credit rate, mortality and expense charges specifically for such account. The benefits of universal life products are linked to the account value of each separate account.

Marketing and Distribution

We have historically sold most of our individual life insurance and annuity products to the mass market and will continue to actively serve this market. However, we believe our core individual customer base will evolve as China s economy develops. We will seek to capitalize on the market opportunities in the growing affluent segment of China s population by focusing our marketing efforts on individuals residing in urban and economically developed coastal areas of China, where disposable income is relatively higher and, we believe, demand for life insurance and annuity products is greater. In addition, we are implementing a new customer segmentation sales approach which targets individuals of various income and education levels with different products. Under this sales approach, individuals in different periods of their lives are marketed with different life insurance and annuity products, with these products in many cases supplemented by our individual accident and health products.

We distribute our individual life and annuity products nationwide through multiple channels. Our primary distribution system is comprised of approximately 650,000 exclusive agents operating in approximately 15,000 field offices throughout China. In addition, we are implementing our customer-oriented market segmentation sales initiatives to all exclusive agents nationwide. While continuing to invest in our exclusive agent force, we have also expanded into other distribution channels, primarily non-dedicated agencies located in approximately 87,000 outlets of commercial banks, banking operations of post offices and savings cooperatives, to diversify our distribution channels and to achieve higher growth. See Distribution Channels .

Group Life Insurance

We are a leading group life insurance company in China, providing group life insurance and annuity products to the employees of many of China s large companies and institutions, including many of the Fortune Global 500 companies operating in China. We offer group life insurance and annuity products to the employees of companies and institutions through approximately 12,000 direct sales representatives operating in more than 3,600 branch offices as well as insurance agencies and insurance brokerage companies. The financial results of our group long-term health insurance business are also reflected in our group life insurance business segment. Gross written premiums and policy fees generated from our group life insurance and annuity products totaled RMB 1,740 million (US$223 million) for the year ended December 31, 2006 and RMB 1,267 million for the year ended December 31, 2005, constituting 1.8% and 1.6% of our total gross written premiums and policy fees for each respective year. The figure for 2006 represented a 37.3% increase from 2005. First-year gross written premiums from group life products insurance for 2006 were RMB 1,115 million (US$143 million), representing a 31% increase from 2005. First-year single gross written premiums for 2006 were RMB 1,030 million (US$132 million), representing 92.4% of first-year group life insurance gross written premiums. Deposits generated by our group life insurance and annuity products totaled RMB 21,086 million (US$2,702 million) for the year ended December 31, 2006 and RMB 23,463 million for the year ended December 31, 2005, constituting 23.1% and 27.3% of our total deposits for those periods. The figure for 2006 represented a 10.1% decrease from 2005.

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

	As of or for the year ended December 31,				Compound Annual growth rate (2004-2006)
	2004 RMB	2005 RMB	2006 RMB	2006 US$	
	(in millions, except as otherwise indicated)				
Group life gross written premiums and policy fees	742	1,267	1,740	223	53.13%
First-year single gross written premiums	261	811	1,030	132	98.65%
First-year regular gross written premiums	34	40	85	11	58.11%
First-year gross written premiums	295	851	1,115	143	94.41%
Group life insurance deposits	21,756	23,463	21,086	2,702	(1.55)%
First-year single deposits	21,726	23,401	21,072	2,700	(1.52)%
First-year regular deposits	12	51	6	0.77	(29.29)%
First-year deposits	21,738	23,452	21,078	2,701	(1.53)%
Liabilities of long-term traditional insurance contracts	713	1,199	1,921	246	64.14%
Deferred income	564	527	627	80	5.44%
Liabilities of long-term investment-type insurance contracts and investment contracts	35,205	45,256	49,437	6,335	18.50%

Products

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

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

	For the year ended December 31,			
	2004 RMB	2005 RMB	2006 RMB	2006 US$
	(in millions)			
Group annuities:				
Premiums		169	232	30
Deposits	21,105	21,528	18,411	2,359
Group whole life and term life insurance:				
Premiums	344	698	912	117
Deposits	98	101	169	22
Endowment:				
Premiums				
Deposits	553	1,834	2,506	321

Group annuities

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

We also offer participating group annuities. In our participating group annuities, interest on an annuitant s deposits is either credited to the participating employee s personal account or credited to the participating employee s personal account as well

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as the employer s group account, depending on the source of the deposits, calculated at a guaranteed interest rate set at the time the product is priced, subject to a cap fixed by the CIRC, which currently is 2.50%. The annuitant is entitled to share a portion of our distributable earnings derived from our participating products, as determined by us based on formulas prescribed by the CIRC, in excess of the rate we guarantee to participating employees.

Group participating annuity products, including Yong Tai Annuity and Group Annuity (Retirement Supplement), are our major product lines. For the year ended December 31, 2006, total combined deposits of Yong Tai Annuity and Group Annuity (Retirement Supplement) were RMB 17,822 million (US$2,284 million), constituting 84.5% of total deposits of our group life insurance business for that year, representing a 15.0% decrease from the year before. Total deposits from our group participating products in 2006 decreased by 14.4% to RMB 18,043 million (US$2,312 million) from RMB 21,068 million in 2005.

The following table sets forth total combined deposits of our Yong Tai Annuity and Group Annuity (Retirement Supplement) products for the periods indicated.

	For the year ended December 31,			
	2004 RMB	2005 RMB	2006 RMB	2006 US$
	(in millions)			
Yong Tai Annuity and Group Annuity (Retirement Supplement):				
Deposits	20,596	20,967	17,822	2,284

Group whole life and term life insurance

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

Marketing and distribution

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

We market our group life insurance and annuity products primarily through our direct sales representatives. We also market our group life insurance and annuity products through commercial banks, banking operations of post offices, insurance agency companies and insurance brokerage companies. We believe our sales network has a geographic reach unparalleled by any other life insurance company in China, serving almost every county in China. See Distribution Channels .

Accident and Health Insurance

We are the leading accident insurance and a leading health insurance provider in China.

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

	As of or for the year ended December 31,				Compound Annual growth rate
	2004	2005	2006	2006	(2004-2006)
	RMB	RMB	RMB	US$	
	(in millions, except as otherwise indicated)				
Short-term accident insurance premiums	4,977	5,135	5,148	660	1.7%
Short-term health insurance premiums	5,629	5,732	5,942	761	2.7%
Accident and health reserves for claims and claim adjustment expenses (gross)	1,215	1,784	2,498	320	43.4%
Accident and health insurance unearned premium reserves (gross)	5,212	5,147	5,346	685	7.3%

Accident insurance

We are the leading accident insurance provider in China. Our short-term accident insurance gross written premiums totaled RMB 5,148 million (US$660 million) for the year ended December 31, 2006 and RMB 5,135 million for the year ended December 31, 2005, constituting 5.2% and 6.3% of our total gross written premiums and policy fees for those periods.

Products

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

Individual accident insurance

Individual accident insurance products provide a benefit in the event of death or disability of the insured as a result of an accident, or a reimbursement of medical expenses to the insured in connection with an accident. Typically, a death benefit is paid if the insured dies as a result of the accident within 180 days of the accident, and a disability benefit is paid if the insured is disabled, with the benefit depending on the extent of the disability. If the insured receives medical treatment at a medical institution approved by us as a result of an accident, individual accident insurance products also may provide coverage for medical expenses. We offer a broad array of individual accident insurance products, such as insurance for students and infants against death and disability resulting from accidental injury and comprehensive coverage against accidental injury. We also offer products to individuals requiring special protection, such as accidental death and disability insurance for commercial air travel passengers and automobile passengers and drivers. The terms of individual accident insurance products range from a few hours to one year.

Group accident insurance

We offer a number of group accident insurance products and services to businesses, government agencies and other organizations of various sizes. We also offer group accident products targeted at specific industry groups, such as construction worker related accident insurance to construction companies, and law enforcement personnel accident insurance to various law enforcement agencies.

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Marketing and distribution

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

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

Health insurance

We are a leading health insurance provider in China. We offer a broad array of short-term health insurance products and services to both individuals and groups, including disease-specific insurance, medical expense insurance and defined benefit insurance. We sell health insurance products to individuals and groups through the same distribution channels we use to sell our life insurance products. Our short-term health insurance gross written premiums totaled RMB 5,942 million (US$761 million) for the year ended December 31, 2006 and RMB 5,732 million for the year ended December 31, 2005, constituting 6.0% and 7.1% of our total gross written premiums and policy fees for those periods. The figure for 2006 represented a 3.7% increase from 2005.

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

Products

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

Defined health benefit plans

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

Medical expense reimbursement plans

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

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Disease-specific plans

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

Product Development

In 2006, we completed the development of 36 new products, including ten long-term life insurance products, ten accident insurance products and 16 health insurance products. We also modified and upgraded our most important group life insurance product, Yong Tai Group Annuity . We modified the long-term life insurance products based on the new Mortality Table published by CIRC.

Also in 2006, we began to establish regional research centers for product development to study and satisfy market needs and be able to respond speedily to market requirements. Presently we have set up four regional products research and development centers in Shanghai, Jiangsu, Chongqing and Shenzhen.

In 2006, in complying with CIRC s requirements, we amended the contract terms of our insurance products with an aim to clarify the products terms and conditions and strengthen customers rights.

In March 2007, our new product China Life Simple Life and Medical Insurance (SLMI), an individual life insurance product, was launched. The terms of the SLMI are simple and easy to understand, taking into account the consumers affordability and the insurance requirements. Presently, SLMI has been approved by CIRC for an initial launch in the agricultural villages of Hebei, Henan and Jiangsu.

Marketing and distribution

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

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

Distribution Channels

In connection with our restructuring, CLIC transferred its entire distribution force to us. After giving effect to our restructuring, we believe we have the largest distribution force with the most extensive geographic reach compared with any of our competitors. Our distribution network reaches almost every county in China. Throughout China, we have approximately 650,000 exclusive agents operating in approximately 15,000 field offices for our individual products and more than 12,000 direct sales representatives in more than 3,600 branch offices for group products. We have a multi-channel distribution network selling individual and group insurance products through intermediaries, primarily non-dedicated agencies located in approximately 87,000 outlets of commercial, banks, banking operations of post offices and savings cooperatives as of the end of December 2006, a slight decrease from 2005. This decrease was primarily due to the restructuring of the network to eliminate inefficiencies as well as the increase of market competition. Commission rates vary by product, based on such factors as the payment terms and period over which the premiums are paid for the product, as well as CIRC regulations. We support our agents and representatives through training programs, sales materials and information technology systems.

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Exclusive agent force

Our exclusive agent force of approximately 650,000 agents, including those who are not qualified, is the primary distribution channel for our individual life, health and accident insurance products.

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

	As of December 31,		
	2004	2005	2006
Number of exclusive agents (approximately)	668,000	640,000	650,000
Number of field offices	9,300	12,000	15,000

Our exclusive agent force is among our most valuable assets, allowing us to more effectively control our distribution and build and maintain long-term relationships with our individual customers. The number of our exclusive agents decreased to 640,000 as of the end of 2005 from 668,000 as of the end of 2004. This decrease was primarily due to the strengthened performance review conducted by us in 2005, as a result of which a number of exclusive agents with comparatively lower productivity left. In addition, CIRC agents in certain provinces began requiring, from 2005, all exclusive agents to hold the CIRC qualification certificates to conduct businesses, which resulted in the departure of some of our exclusive agents. The number of our exclusive agents increased from 640,000 as of the end of 2005 to 650,000 as of the end of 2006. This increase was primarily due to the improvement of our hiring methods and results. We believe that our customers and prospective customers prefer the personal approach of our exclusive agents, and, therefore, we believe our exclusive agent force will continue to serve as our core distribution channel.

In 2006, we also accelerated the development of a special sales force services offered for orphan policies (policies which were serviced by our former individual agents but are no longer serviced by such agents after the departure of such agents from our company) and new business development. As of the end of 2006, such sales force included approximately 17,000 exclusive agents, which are included in the 650,000 exclusive agents.

Under the PRC insurance law, an individual agent for an insurance company is required to obtain a qualification certificate from the CIRC, as well as to register with, and obtain a business license from, the agent s local bureau of the SAIC. See Regulatory and Related Matters Regulation of Insurance Agencies, Insurance Brokers and Other Intermediaries . Essentially all of the agents in our exclusive agent sales force do not qualify as individual agents within the meaning of the insurance law because they do not meet the dual requirements of holding a CIRC qualification certificate and a business license from the local bureau of industry and commerce. We believe that this situation is shared by all major life insurance companies in China. Approximately 96.4% of our exclusive agents hold a CIRC qualification certificate, and essentially none has a business license. In May 2004, the CIRC issued a circular requiring insurance companies to take effective measures in carrying out the qualification certification requirement. Furthermore, no insurance company may issue a company certificate to any person identifying that person as its sales representative, if the person does not have a CIRC qualification. Pursuant to the circular, we are also required to take appropriate measures to improve both participation of our agents taking the qualification examination and their success rate, and to report to the CIRC on a quarterly basis the percentage of our agents holding a CIRC qualification certificate. In April 2006, the CIRC issued regulations on administration of individual agents, effective on July 1, 2006, in order to further strengthen the administration of individual agents. Pursuant to these regulations, insurance companies that retain individual agents without CIRC qualification certificates and underwriting certificates to engage in

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insurance sales activities will be warned and fined up to RMB 30,000 and the responsible member of senior management of such insurance companies will be warned and fined up to RMB 10,000. In serious circumstances, the CIRC may order the insurance companies to remove the responsible member of senior management from office and reject the application of setting up branch offices by such insurance companies. It is our understanding that the SAIC does not have procedures in place to effect the registration and licensing of individual insurance agents, although some local bureaus of industry and commerce have had on occasions required our agents to register. To date, this noncompliance has not had a material adverse effect on us. We are not sure whether or when this registration requirement will be enforced by bureaus of industry and commerce nationwide. If these registration and qualification requirements are enforced, or if they result in a substantial number of policyholders canceling their policies, our business may be materially and adversely affected.

We supervise and provide training to our exclusive agents through more than 9,100 supervisors and more than 1,300 full-time trainers. We set product management and customer service standards, and have developed risk warning and credit rating systems, which we require all of our field offices and agents to meet and apply, and conduct field tests with a view to ensuring quality. We also have an extensive training program.

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

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

- improving the overall productivity of our exclusive agents by expanding our customer-oriented market segmentation sales approach and standardized sales services to all agents nationwide;

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

- building a more professional exclusive agent force by improving our training programs and enhancing our training efforts, such as the Chartered Insurance Agency Manager courses organized by the Life Insurance Marketing and Research Association, and increasing the number of qualified exclusive agents;

- improving the quality of our exclusive agent force by expanding our recruitment program and standardizing our recruitment procedures and admission requirements; and

- improving the efficiency of our exclusive agents by providing sales support and equipments, including expanding the China Life sales support system nationwide and equipping our more productive exclusive agents with personal electronic devices to further enhance their marketing, time management and customer service capabilities.

Direct sales force

Our direct sales force is our primary distribution system for our group life insurance and annuities, group accident insurance and group health insurance products, as well as our individual accident insurance and individual short-term health insurance products.

Our direct sales force of approximately 12,000 direct sales representatives are our full time employees and operate in more than 3,600 branch offices across China. We believe our sales network has a geographic reach unparalleled by any other life insurance company in China, serving almost every county in China.

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

As full time employees, our direct sales representatives are compensated through fixed salaries. We motivate our direct sales representatives by rewarding them with performance-based bonuses and by organizing sales and services-related competitions among different branch offices and sales units.

Intermediaries

We also offer individual and group products through intermediaries. Our distribution channels are primarily comprised of non-dedicated agencies located in approximately 87,000 outlets of commercial banks, post offices and savings cooperatives, as well as insurance agencies and insurance brokerage companies.

Bancassurance

We have bancassurance arrangements with major banks, savings cooperatives and banking operations of post offices in China, and currently generate a significant portion of our total sales through bancassurance. Bancassurance is a fast growing channel, and we will continue to dedicate substantial resources, through our bancassurance department, to develop our bancassurance business, with a focus on key cities. We have established strategic alliances with several banks. We intend to improve the attractiveness of our products by providing products and services tailored to each major bank and providing training and integrated systems support to our banking partners.

Other non-dedicated agencies

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

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Other intermediaries

We also market group products through dedicated insurance agencies and insurance brokerage companies. Dedicated insurance agencies and insurance brokerage companies work with companies primarily to select group insurance providers and group products and services in return for commission fees.

Currently, the market of dedicated insurance agencies and insurance brokerage companies in China remains generally underdeveloped. We expect the dedicated insurance agencies and insurance brokerage companies to become more effective distribution channels in the medium term.

Competition

Our nearest competitors are Ping An and China Pacific Life.

In the individual life insurance market, Ping An, China Pacific Life and we collectively represented 78% of total individual life insurance premiums in 2005. We primarily compete based on the nationwide reach of our sales network and the level of services we provide, as well as our strong brand name.

In the group life insurance market, Ping An, China Pacific Life and we collectively represented 57% of total group life insurance premiums in 2005. We primarily compete based on the nationwide reach of our sales network and the services we provide, as well as our relationships and reputation among large companies and institutions in China.

In the accident insurance market, Ping An, China Pacific Life and we collectively represented 87% of total accident premiums in 2005. We primarily compete based on the nationwide reach of our sales network and the services we provide and our strong brand name, as well as our cooperative arrangements with other companies and institutions.

In the health insurance market, Ping An, China Pacific Life and we collectively represented 79% of total health premiums in 2005. We primarily compete based on the nationwide reach of our sales network, the services we provide, our multi-layered managed care scheme and systems of policy review and claim management, as well as our strong brand name.

The following table sets forth market share information for the year ended December 31, 2005, the most recent year for which official market information is available, in all segments of the life insurance market in which we do business.

	Individual life premiums market share	Group life premiums market share	Accident premiums market share	Health premiums market share	Total premiums market share
China Life	**51%**	**37%**	**54%**	**31%**	**47%**
Ping An Insurance Company of China, Ltd.	16%	9%	16%	45%	17%
China Pacific Life Insurance Co. Ltd.	11%	11%	17%	3%	11%
New China Life Insurance Co. Ltd.	7%	5%	2%	7%	6%
Tai Kang Life Insurance Co. Ltd.	6%	3%	3%	5%	5%
Others[1]	9%	35%	8%	9%	14%
Total	100%	100%	100%	100%	100%

(1) Others include Taiping Life Insurance Co. Ltd., Minsheng Life Insurance Co., Ltd., Sino Life Insurance Co., Ltd., PICC Life Insurance Co., Ltd., PICC Health Insurance Co., Ltd., Hua Tai Life Insurance Co., Ltd., Union Life Insurance Co., Ltd., Greatwall Life Insurance Co., Ltd., National Life Insurance Co., Ltd., Manulife-Sinochem Life Insurance Co. Ltd., Pacific-Antai Life Insurance Co. Ltd., AXA-Minmetals

Assurance Co., Ltd., China CMG Life Insurance Co., Ltd., Citic-Prudential Life Insurance Co., Ltd., John Hancock-Tianan Life Insurance Co. Ltd., Generali China Life Insurance Co. Ltd., Sun Life Everbright Life Insurance Co. Ltd., ING Capital Life Insurance Co., Ltd., Haier New York Life Insurance Co., Ltd., Aviva-COFCO Life Insurance Co., Ltd., AEGON-CNOOC Life Insurance Co., Ltd., CIGNA and CMC Life Insurance Co., Ltd., Nissay-SVA Life Insurance Co., Ltd., Heng An Standard Life Insurance Co., Ltd., Skandia-BSM Life Insurance Co., Ltd., Sino-US Metlife Insurance Co., Ltd. and American International Assurance Co., Ltd., Shanghai, Guangzhou, Shenzhen, Beijing, Suzhou, Dongguan and Jiangmen branches, Cathay Life Insurance Co., Ltd., Met Life Insurance Co., Ltd., Allianz China Life Insurance Co., Ltd., Samsung Air China life Insurance Co., Ltd.

Source: China Insurance Yearbook 2006

We face competition not only from domestic life insurance companies, but also from non-life insurance companies and foreign-invested life insurers. The number of life insurance companies licensed in China has been growing steadily, which we believe will lead to greater competition in the life insurance industry. There were 35 licensed life insurance companies in China as of December 31, 2004, 43 as of December 31, 2005 and 45 as of December 31, 2006. It was reported that due to several large group annuity policies underwritten by Sino-foreign insurance joint ventures for their Chinese investors, the market shares of foreign invested insurance companies increased substantially in 2005. Property and casualty insurers were allowed to sell accident and short-term health insurance products with regulatory approval starting from January 2003, which we believe will lead to greater competition in the accident and health insurance sectors, especially in the group accident and group health insurance products. In addition, we believe that elimination of geographic limitations on foreign-invested insurance companies will further increase competition in China s life insurance market.

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

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

Asset Management Business

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

AMC is our subsidiary, with us owning 60% and CLIC owning the remaining 40%. Members of the board of directors are Miao Jianmin, Zhuang Zuojin, Liu Jiade, Wan Feng, Lin Huimin and Shi Yucheng. Directors of AMC are appointed by the shareholders in general meeting. Accordingly, we, as the controlling shareholder, effectively control the composition of its board of directors.

Property and Casualty Business

We entered into a share subscription agreement on March 13, 2006 and a promoters agreement with CLIC on October 23, 2006 to establish a property and casualty company, China Life Property and Casualty Insurance Company Limited, with us owning 40% and CLIC owning the remaining 60%. The property and casualty company obtained its business license on December 30, 2006.

Pension Insurance Business

We entered into a promoters agreement with CLIC and AMC on March 21, 2006 to establish a pension insurance joint venture, China Life Pension Company Limited. The pension insurance company obtained its business license on January 15, 2007, with us owning 55%, CLIC owning 25% and AMC owning the remaining 20%. We are the controlling shareholder of the pension insurance company as we directly own 55% of the share capital and AMC, which is 60% owned by us, owns 20%.

Customer Support Management

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

We deliver customer services primarily through customer service units operating in our branch offices and in field offices throughout China and a sophisticated telephone call center network. We take advantage of alternative customer services channels, such as cellphone messages and the Internet, complementing the customer services provided by our customer service units and the call center network. We also established a specialized customer service department in 2006 to further refine our customer services. The customer service department s role is to provide service to our customers and supervise the quality of service provided by our customer service units.

Customer service units

We provide customer support through approximately 3,000 customer service units nationwide. We provide approximately 50 different types of policy-related services to our customers, which include collecting regular premiums, renewing policies, purchasing supplemental policies, reinstating lapsed policies, processing surrenders, increasing insured amounts, processing policy loans, paying benefits and updating information regarding holders and beneficiaries of policies. We require our customer service units to provide these policy-related services in accordance with procedures and standards that we implement on a nationwide basis, helping to ensure the quality of the services we provide. We implemented uniform service standards for customer service units nationwide in 2005.

Telephone call service center

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

We believe our call centers have become popular with our customers because of the quality of services they provide. We were awarded the best call center in China in 2004, 2005, 2006 and 2007 by the Professional Committee for the Promotion and Alliance of Customer Relationship Management of Information under the Ministry of Information Industry, and have obtained the authentication of Chinese national call center operating performance standards. We were also awarded 2006 Top 10 Service Brands in China by China Call Center of CRM Association in December 2006. We will continue to ensure that we have a sufficient number of lines and staff to service the increasing utilization of our call centers.

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We have established system-wide standards for our call centers, which we monitor periodically through test calls to the call centers.

Cellphone message services

We utilize wireless telephone services to make instant contact with our agents and customers. Through special service codes (70095519 for China Unicom and 6295519 for China Mobile), we may send short messages to our customers all over China, conveying such information as birthday and holiday greetings, premium payment notices and premium payment confirmations.

Internet-based services

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

Reserves of Long-term Traditional Insurance Contracts

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

Financial statement reserves

In accordance with HKFRS, our reserves for financial reporting purposes are based on actuarially recognized methods for estimating future policy benefits and claims. We expect these reserve amounts, along with future premiums to be received on policies and contracts and investment earnings on these amounts, to be sufficient to meet our insurance policy and contract obligations.

We establish the liabilities for obligations for future policy benefits and claims based on assumptions that are uncertain when made. Our assumptions include assumptions for mortality, morbidity, persistency, expenses, and investment returns, as well as macroeconomic factors such as inflation. These assumptions may deviate from our actual experiences and, as a result, we cannot determine precisely the amounts which we will ultimately pay to settle these liabilities or when these payments will need to be made. These amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future. We evaluate our liabilities periodically, based on changes in the assumptions used to establish the liabilities, as well as our actual policy benefits and claims experience. We expense changes in our liabilities in the period the liabilities are established or re-estimated. To the extent that trends in actual claims results are less favorable than our underlying assumptions used in establishing these liabilities, and these trends are expected to continue in the future, we may be required to increase our liabilities. This increase could have a material adverse effect on our profitability and, if significant, our financial condition. Any material impairment in our solvency margin could change our customers or business partners perception of our financial health, which in turn could affect our sales, earnings and operations.

Statutory reserves

We are required under China s insurance law to report policy reserves for regulatory purposes. The minimum levels of these reserves are based on methodologies and assumptions mandated by the CIRC. We also maintain assets in excess of policy reserves to meet the solvency requirements under CIRC regulations.

See Item 3. Key Information Risk Factors Risks Relating to Our Business Differences in future actual claims results from the assumptions used in pricing and establishing reserves for our insurance and annuity products may materially and adversely affect our earnings .

Business Management

Underwriting and Pricing

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

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

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

In order to maintain high standards of underwriting quality and consistency, we engage in a multilevel series of ongoing internal underwriting audits, and our reinsured business is subject to external audits by our reinsurers.

Individual and group product pricing reflects our insurance underwriting standards. Product pricing on insurance products is based on the expected payout of benefits, calculated through the use of assumptions for mortality, morbidity, persistency, expenses and investment returns, as well as certain macroeconomic factors such as inflation. Those assumptions include a margin for expected profitability and are based on our own experience and published data from other Chinese life insurance companies. For more information on regulation of insurance products, see Regulatory and Related Matters Insurance Company Regulation .

We primarily offer products denominated in RMB.

Claims Management

We manage the claims we receive from policyholders through our claims management staff located in our headquarters and branch offices. Typically, claims are received by our employees or agents, who make a preliminary examination and forward them to our claims settlement team for further verification. If the claim is verified, the amount payable is calculated and, once approved, is distributed to the policyholder.

We manage claims management risk through organizational controls and computer systems controls. Our organizational controls include specified authorization limits for various operating levels, periodic and *ad hoc* inspections at all levels of our organization, expense mechanisms linking payout ratios with expenses for short-term life insurance policies and requirements that, except for some health insurance claims under a certain amount, each claims examination be performed by two staff members. We also impose stringent requirements on the qualification and employment of claims management staff. Our claims management control procedures are supported by a computer processing system which is used for the verification and processing of claims.

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Reinsurance

Statutory reinsurance

Under China s insurance law and CIRC regulations, our predecessor was required to reinsure 20% of our insurance risks, other than those arising from life insurance products, with China Reinsurance (Group) Company, formerly known as China Reinsurance Company, as statutory reinsurer. The statutory reinsurance requirement was phased out completely at the beginning of 2006.

Commercial reinsurance

In addition to our statutory reinsurance requirements since 1997 we have entered into various reinsurance agreements with China Life Reinsurance Company Limited, or China Life Re, formerly known as China Reinsurance Company, for the reinsurance of individual death risks, group risks and defined blocks of business. In general, death risks are primarily reinsured on a surplus basis, in which we are reinsured for losses above a specified amount. Under our internal reinsurance policy, we reinsure risks over RMB 1 million per person for life insurance, RMB 1 million per person for accident insurance and RMB 0.3 million per person for health insurance. Our group risks are reinsured on a percentage basis, and we decide which group policies are to be reinsured on a case by case basis. In general, our reinsurance agreements with China Life Re do not have a definite term, but may be terminated by either party at the end of a calendar year with advance notice of three to six months.

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

As part of our life insurance business we also assume policies issued by other insurers. We have entered into three reinsurance agreements with three affiliated branches of a United States life insurance company in China that cover individual life insurance risks and risks of death and disability from accidental injuries.

Investments

As of December 31, 2006, we had RMB 686,804 million (US$88,006 million) of investment assets. As required by China s insurance laws and regulations, we invest insurance premiums, deposits and other funds we receive primarily in bank term deposits and structured term deposits; fixed maturity securities, including government securities, bonds issued by state-owned policy banks of the Chinese government, corporate bonds, bonds issued by financial institutions, convertible bonds and certain subordinated bonds and indebtedness; policy loans; securities investment funds primarily invested in equity securities issued by Chinese companies and traded on China s securities exchanges; shares of companies listed on China s stock markets, which are denominated and traded in Renminbi, as well as shares of Chinese companies listed on specified overseas stock exchanges. We also participate in bond repurchase activities through inter-bank repurchase markets and repurchase exchange markets. We were recently authorized to indirectly invest in domestic infrastructure projects and equity interest of non-listed Chinese commercial banks, and were authorized to make overseas investments in qualified term deposits and debt securities. We are prohibited from making other investments without the CIRC s approval.

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

Investment proposals typically originate from our investment management department, which is in charge of all of our investment assets. Investment proposals are reviewed by our risk management department for risk assessment and submitted to the investment decision committee for final approval.

AMC, the asset management joint venture established by us and our predecessor, CLIC, manages substantially all of our Renminbi investments following the restructuring and, separately, substantially all of the investments retained by CLIC. See Asset Management Business . In connection with the restructuring, CLIC transferred to us a portion of its investment assets and specified other assets, and retained the remaining investment and other assets. See History and Development of the Company and Item 7. Major Shareholders and Related Party Transactions Related Party Transactions .

We own 60% of AMC, with CLIC owning the remaining 40%. The board comprises six members, including Miao Jianmin, Zhuang Zuojin, Liu Jiade, Wan Feng, Liu Huimin and Shi Yucheng.

The following table summarizes information concerning our investment assets as of December 31, 2004, 2005 and 2006.

	As of December 31,					
	2004		2005		2006	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(RMB in millions, except as otherwise indicated)					
Cash and cash equivalents	27,217	7.3%	28,051	5.7%	50,213	7.3%
Term deposits (excluding structured deposits)	170,698	45.5%	160,067	32.4%	170,830	24.9%
Structured deposits	4,800	1.3%	4,802	1.0%	4,646	0.7%
Statutory deposits restricted	4,000	1.1%	5,353	1.1%	5,353	0.8%
Debt securities, held-to-maturity	79,603	21.2%	146,297	29.6%	176,559	25.7%
Debt Securities, available-for-sale			96,425	19.5%	176,868	25.8%
Debt securities, non-trading	69,791	18.6%				
Debt securities, financial assets at fair value through income (held-for-trading)			12,832	2.6%	4,471	0.6%
Debt securities, trading	840	0.2%				
Debt securities	150,234	40.0%	255,554	51.7%	357,898	52.1%
Policy loans	391	0.1%	981	0.2%	2,371	0.3%
Equity securities, available for sale			26,261	5.3%	62,595	9.1%
Equity securities, non-trading	12,597	3.4%				
Equity securities, financial assets at fair value through income (held-for-trading)			13,287	2.7%	32,898	4.8%
Equity securities, trading	4,674	1.2%				
Equity securities	17,217	4.7%	39,548	8.0%	95,493	13.9%
Repurchase agreements	279	0.1%				
Total investment assets	374,890	100%	494,356	100%	686,804	100%
Average cash and investment assets balance	327,069		434,623		590,580	

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Risk management

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

- interest rate risk, relating to the market price and cash flow variability associated with changes in interest rates;
- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- market valuation risk, relating to the changes in market value for our investments, particularly our securities investment fund holdings and shares listed on the Chinese securities exchange, which are denominated and traded in Renminbi;
- liquidity risk, relating to the lack of liquidity in many of the debt securities markets we invest in, due to contractual restrictions on transfer or the size of our investments in relation to the overall market; and
- currency exchange risk, relating to the impact of changes in the value of the Renminbi against the U.S. dollar and other currencies on the value of our investments.

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

Because we are limited in the types of investments we may make, we believe we have relatively low credit risk. We monitor our credit risk through in-house fundamental analysis of the Chinese economy and the underlying obligors and transaction structures.

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

Since substantially all of our investments are made in China, including term deposits with Chinese banks, debt securities, securities investment funds and shares listed on the Chinese securities exchange, which are denominated and traded in Renminbi, we are exposed to the effect of changes in the Chinese economy and other factors which affect the Chinese banking industry and securities markets.

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

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Our ability to manage our investment risks is limited by the investment restrictions placed on us and the lack of sophisticated investment vehicles in China s capital markets. We understand that the CIRC is considering opening other investment channels to insurance companies, including mortgage-backed securities and asset-backed securities. We will consider these alternative ways of investing once they become available to us.

Our assets held in foreign currencies are subject to foreign exchange risks resulting from the fluctuations of the value of the Renminbi against the U.S. dollar and other foreign currencies. We are seeking methods to reduce the foreign exchange risks.

Under China s existing foreign exchange control regulations, the conversion of foreign currencies into the Renminbi requires approval of relevant government agencies. We obtained an approval to settle a portion of our assets held in foreign currencies into the Renminbi in 2005, which partially reduced the foreign exchange risks we are expose to. We did not obtain approval to settle any portion of our assets held in foreign currencies into the Renminbi in 2006 and there is no guarantee that we will be able to obtain any such approval in the future. If we do not obtain such approval, our ability to manage our foreign exchange risks may be limited. There are few financial products available in China to hedge foreign exchange risks, which substantially limits our ability to manage our foreign exchange risks.

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

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

Investment results

Our investment yields for the years ended December 31, 2006, 2005 and 2004 were 4.3%, 3.9% and 3.5%, respectively.

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

	As of or for the years ended December 31,					
	2004		2005		2006	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
	(RMB in millions, except as otherwise indicated)					
Cash, cash equivalents and term deposits:						
Investment income	3.5%	6,744	3.9%	7,903	3.8%	8,207
Ending assets: cash and cash equivalents		27,217		28,051		50,213
Ending assets: statutory deposits restricted		4,000		5,353		5,353
Ending assets: term deposits		175,498		164,869		175,476
Ending assets		206,715		198,273		231,042
Debt securities:						
Investment income	3.4%	3,720	4.2%	8,429	4.0%	12,384
Net realized gains/(losses)		(317)		61		(6)
Total		3,403		8,490		12,378
Ending assets		150,234		255,554		375,898
Policy loans:						
Investment income	4.3%	11	3.2%	22	4.8%	80
Ending assets		391		981		2,371
Equity securities:						
Investment income	4.6%	646	1.7%	494	9.3%	4,662
Net realized gains/(losses)		80		(571)		1,601
Total		726		(77)		6,263
Ending assets		17,271		39,548		95,493
Resale and repurchase agreements:						

Resale agreements:						
Investment income	3.5%	253	2.2%	3	N/A	23
Net realized gains/(losses)						
Total		253		3		23
Ending assets		279				
Repurchase agreements:						
Total		(10)		(70)		(270)
Ending assets				4,731		8,227
Investments in associates:						
Investment income/(losses)						
Ending assets						6,071
Total investments:						