

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 depository 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 depository shares, each representing 15 H shares.

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

None.

(Title of Class)

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

None.

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's 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

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

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

If this 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 No

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

Indicate by check mark whether the registrant 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 Accelerated filer Non-accelerated filer

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

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

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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 the United States of America, and references to Hong Kong dollars, H.K. dollars or HK\$ mean the currency of the Hong Kong Special Administrative Region of the PRC.

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.

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PART I

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

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.

Not applicable.

ITEM 3. KEY INFORMATION.

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,					2006
	2002	2003 ⁽¹⁾	2004	2005	2006	
	RMB	RMB	RMB	RMB	RMB	US\$
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						

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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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	2002	2003	As of December 31,		2006	2006
	RMB	RMB	RMB	RMB	RMB	US\$
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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	2002	2003	As of December 31,		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