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中國人壽保險股份有限公司  
**CHINA LIFE INSURANCE COMPANY LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2628)**

**2009 THIRD QUARTER REPORT**

This announcement is made by China Life Insurance Company Limited (the “Company”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial data of the Company for the third quarter of 2009 are unaudited and have been prepared in accordance with the China Accounting Standards for Business Enterprises.

**1. Important Notice**

- 1.1 The Company’s Board of Directors, the Supervisory Committee, its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements or material omissions in the 2009 third quarter report, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.
- 1.2 Of the eleven Directors of the Company, ten attended in person. The Chairman and Executive Director Mr. Yang Chao, Executive Directors Mr. Lin Dairen and Ms. Liu Yingqi, Non-executive Directors Mr. Miao Jianmin, Mr. Shi Guoqing and Ms. Zhuang Zuojin, and Independent Non-executive Directors Mr. Ma Yongwei, Mr. Sun Changji and Mr. Bruce Douglas Moore attended the meeting. Independent Non-executive Director Mr. Sun Shuyi attended the meeting by phone. Executive Director Mr. Wan Feng was absent and gave written authorization to Executive Director Mr. Yang Chao to act as proxy to attend and vote in the meeting.

1.3 The Company's 2009 third quarter financial report is unaudited.

1.4 Mr. Yang Chao, Chairman of the Company, Mr. Liu Jiade, Vice President in charge of financial affairs, Ms. Hwei-Chung Shao, Chief Actuary and Mr. Yang Zheng, Head of the Finance Department, confirm that the financial statements in the 2009 third quarter report are true and complete.

## 2. Basic Information of the Company

### 2.1 Major accounting data and financial indicators

Currency: RMB

|   | As at<br>30 September 2009                              | As at<br>31 December 2008                         | Increase/(decrease)<br>compared to<br>31 December 2008<br>(%)                     |
|---|---|---|---|
| Total assets ( <i>million</i> )   | 1,128,245   | 990,164   | 13.95   |
| Shareholders' equity (excluding minority interest) ( <i>million</i> )           | 148,127   | 134,957   | 9.76  |
| Net assets per share attributable to shareholders of the Company ( <i>RMB</i> ) | 5.24  | 4.77  | 9.76  |
|   | For the nine months ended<br>30 September 2009          |   | Increase/(decrease)<br>compared to the<br>same period of 2008<br>(%)              |
| Net cash flows from operating activities ( <i>million</i> )                     | 111,549   |   | -6.90   |
| Net cash flows per share from operating activities ( <i>RMB</i> )               | 3.95  |   | -6.90   |
|   | For the reporting<br>period (from July<br>to September) | For the nine<br>months ended<br>30 September 2009 | Increase/(decrease)<br>compared to the<br>same reporting period<br>of 2008<br>(%) |
| Net profit attributable to shareholders of the Company ( <i>million</i> )       | 5,954   | 19,874  | 154.55  |
| Basic earnings per share ( <i>RMB</i> )   | 0.21  | 0.70  | 154.55  |
| Basic earnings per share after deducting non-recurring items ( <i>RMB</i> )     | -   | 0.71  | -   |
| Diluted earnings per share ( <i>RMB</i> )                                       | 0.21  | 0.70  | 154.55  |
| Return on net assets (%)  | 4.02  | 13.42   | An increase of 2.25 percentage points   |
| Return on net assets after deducting non-recurring items (%)                    | 4.06  | 13.47   | An increase of 2.27 percentage points   |

*Note:* The data and indicators relating to shareholders' equity refer to shareholders' equity attributable to shareholders of the Company. The data and indicators relating to net profit refer to net profit attributable to shareholders of the Company.

As at 30 September 2009, investment assets of the Company were RMB 1,068,706 million. For the nine months ended 30 September 2009, the gross investment yield was 4.71% (or 6.30% if annualized, the simple annualized gross investment yield = (the gross investment yield for the nine months ended 30 September 2009/273)×365), the surrender rate was 2.72%, and the growth rate of premiums earned was -4.74%.

### **Deducting Non-recurring Items and Amount**

*RMB Million*

| <b>Non-recurring items</b>   | <b>For the nine months ended<br/>30 September 2009</b> |
|--|--|
| Gains/(losses) on disposal of non-current assets                       | 5  |
| Net non-operating income and expenses other than those mentioned above | -118   |
| Effect of income tax expenses  | 28   |
| <b>Total</b>   | <b>-85</b>   |

*Note:* As an insurance company, investment (utilization of insurance funds) is one of the main businesses of the Company. Therefore, the non-recurring items do not include fair-value gains/(losses) from held-for-trading financial assets and liabilities, as well as investment income from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets.

2.2 *The total number of shareholders and the top ten holders of listed shares not subject to trading restrictions as at the end of the reporting period*

|  |   |             |
|--|---|-------------|
| <b>The total number of shareholders at the end of the reporting period</b>                     | Number of A share holders: 257,361  |             |
|  | Number of H share holders: 37,206   |             |
| <b>Particulars of the top ten holders of listed shares not subject to trading restrictions</b> |   |             |
| <b>Name of shareholders (Full name)</b>  | <b>Number of listed shares not subject to trading restrictions held as at the end of the reporting period</b> | <b>Type</b> |
| HKSCC Nominees Limited   | 7,272,252,861   | H shares    |
| State Development and Investment Co., Ltd  | 49,800,000  | A shares    |
| ICBC-Lion Stock Securities Investment Fund   | 29,420,420  | A shares    |
| China National Investment & Guaranty Co., Ltd  | 29,200,000  | A shares    |
| IFC-Standard Chartered-Citigroup Global Markets Limited  | 26,895,476  | A shares    |
| UBS AG   | 26,035,598  | A shares    |
| ICBC-Bosera Third Industry Growth Stock Securities Investment Fund                             | 25,000,000  | A shares    |
| China Pacific Life Insurance Co., Ltd.<br>-Tradition-Ordinary Insurance Products               | 23,366,165  | A shares    |
| Deutsche Bank Aktiengesellschaft   | 22,245,458  | A shares    |
| China National Nuclear Corporation   | 20,000,000  | A shares    |
| China International Television Corporation   | 20,000,000  | A shares    |

### 3. Significant Events

3.1 *Particulars of, and reasons for, material changes in major accounting items and financial indicators of the Company*

Applicable       Not applicable

## (1) Changes in key financial indicators and its reasons

*RMB million*

| <b>Key Financial Indicators</b>                                  | <b>As at<br/>30 September<br/>2009</b> | <b>As at<br/>31 December<br/>2008</b> | <b>Increase/<br/>(decrease)<br/>(%)</b> | <b>Main reasons</b>                       |
|--|--|---------------------------------------|---|---|
| Total assets   | 1,128,245                              | 990,164                               | 13.95                                   | Accumulation of insurance business assets |
| Total liabilities  | 978,450                                | 854,283                               | 14.53                                   | Increase in insurance reserves            |
| Shareholders' equity attributable to shareholders of the Company | 148,127                                | 134,957                               | 9.76                                    | Increase in net profit                    |

*RMB million*

| <b>Key Financial Indicators</b>                        | <b>For the nine<br/>months ended<br/>30 September<br/>2009</b> | <b>For the nine<br/>months ended<br/>30 September<br/>2008</b> | <b>Increase/<br/>(decrease)<br/>(%)</b> | <b>Main reasons</b>   |
|--|--|--|---|---|
| Operating profit                                       | 25,226   | 12,803   | 97.03                                   | Considerable increase in total investment income resulting from the rally of capital market |
| Net profit attributable to shareholders of the Company | 19,874   | 13,111   | 51.58                                   | Considerable increase in total investment income resulting from the rally of capital market |

## (2) Material changes in major accounting items and its reasons

*RMB million*

| <b>Key Financial Indicators</b>                      | <b>As at<br/>30 September<br/>2009</b> | <b>As at<br/>31 December<br/>2008</b> | <b>Increase/<br/>(decrease)<br/>(%)</b> | <b>Main reasons</b>   |
|--|--|---------------------------------------|---|---|
| Cash and cash equivalents                            | 58,291                                 | 34,085                                | 71.02                                   | The Company's investment assets allocation requirement                                      |
| Premiums receivables                                 | 9,152                                  | 6,433                                 | 42.27                                   | Accumulation of renewal premiums receivables  |
| Policy loans   | 12,337                                 | 8,676                                 | 42.20                                   | Increase in the requirement of policy loans   |
| Financial assets sold under agreements to repurchase | 430                                    | 11,390                                | -96.22                                  | The Company's cash management requirement   |
| Undistributed profit                                 | 41,050                                 | 28,686                                | 43.10                                   | Considerable increase in total investment income resulting from the rally of capital market |

*RMB million*

| <b>Key Financial Indicators</b> | <b>For the nine<br/>months ended<br/>30 September<br/>2009</b> | <b>For the nine<br/>months ended<br/>30 September<br/>2008</b> | <b>Increase/<br/>(decrease)<br/>(%)</b> | <b>Main reasons</b>  |
|---------------------------------|--|--|---|--|
| Fair value gains/(losses)       | 1,184  | -8,006   | N/A                                     | Increase in fair value gains of held-for-trading financial assets resulting from the rally of capital market |
| Policyholder dividends          | 10,975   | 2,357  | 365.63                                  | Increase in investment yield of participating insurance business   |
| Impairment losses               | 2,349  | 8,730  | -73.09                                  | The rally of capital market  |
| Income tax expenses/(incomes)   | 5,113  | -535   | N/A                                     | Increase in deferred income tax and decrease in non-taxable income   |

### 3.2 Explanation and analysis of significant events and their impacts and solutions

Applicable       Not applicable

### 3.3 Implementation of undertakings by the Company, its shareholders and de facto controller

Applicable       Not applicable

1. During the Company's A shares Initial Public Offering, China Life Insurance (Group) Company, the controlling shareholder of the Company, had undertaken that it would not, within 36 months from the listing of the Company's A shares, transfer or authorize others to manage any shares of the Company that are directly or indirectly owned by it, nor would it allow the Company to acquire such shares. During the reporting period, China Life Insurance (Group) Company has strictly adhered to the above undertaking and has not breached the above undertaking.
2. Before the Company's A shares Initial Public Offering (as at 30 November 2006), of the land-use rights injected into the Company by China Life Insurance (Group) Company, at the time of the restructuring and establishment of the Company, formalities for change of titles have not been completed for the land-use rights in respect of 4 pieces of land with a total area of 10,421.12 square meters. Of the properties that were injected into the Company, formalities for change of title have not been completed for 6 properties with a gross floor area of 8,639.76 square meters. China Life Insurance (Group) Company undertook that it would, within one year from the date of listing of the Company's A shares, assist the Company in completing the formalities for change of titles in respect of the 4 pieces of land and 6 properties mentioned above, failing which it will bear any loss that may be suffered by the Company as a result of such defective titles. China Life Insurance (Group) Company has strictly observed its undertaking. As at the end of the reporting period, all changes of titles had been completed except for two properties and related lands of the Shenzhen Branch of the Company. The Shenzhen Branch of the Company continues to use the above properties and related lands and no other parties have made any challenges or presented obstacles for the use of the properties and related lands.
3. China Life-CMG Life Assurance Company Ltd., a subsidiary of China Life Insurance (Group) Company ("CLIC"), is a sino-foreign joint venture established on 4 July 2000 and owned as to 51% by CLIC and as to 49% by CMG Group of Australia. The scope of operations of China Life-CMG Life Assurance Company Ltd. is to conduct the following businesses (excluding statutory insurance business) within the administrative district of Shanghai municipality and in the provinces, autonomous regions and municipalities directly under the Central Government where it has established branches: (1) insurance business such as life insurance, health insurance and accident and casualty insurance; (2) re-insurance of the above insurance businesses. CLIC has agreed that it will, within three years of the listing of the Company on The Stock Exchange of Hong Kong Limited, dispose all of its interests in this joint venture to any third party or otherwise eliminate any competition between China Life-CMG Life Assurance Company Ltd. and the Company. The Company received written notice from CLIC that as at the end of the reporting period, CLIC was working towards the transfer of its interest in China Life-CMG Life Assurance Company Ltd. The Company will make timely disclosure according to the relevant listing rule requirements of the place where the Company is listed.

3.4 *Warnings and explanation for any significant changes in net profit or cumulative loss from the beginning of the year to the end of the next reporting period as compared to the same period of last year*

Applicable       Not applicable

3.5 *The implementation of cash dividend policy during the reporting period*

Applicable       Not applicable

***This announcement is published in both Chinese and English languages. The Chinese version announcement shall prevail.***

By Order of the Board of  
**China Life Insurance Company Limited**  
**Heng Kwo Seng**  
*Company Secretary*

As at the date of this announcement, the Board of Directors of the Company comprises:

|   |  |
|---|--|
| <i>Executive Directors:</i>                 | Yang Chao, Wan Feng, Lin Dairen, Liu Yingqi                |
| <i>Non-executive Directors:</i>             | Miao Jianmin, Shi Guoqing, Zhuang Zuojin                   |
| <i>Independent non-executive Directors:</i> | Sun Shuyi, Ma Yongwei, Sun Changji,<br>Bruce Douglas Moore |

Hong Kong, 26 October 2009



## 4. APPENDIX

### 4.1 Balance sheet as at 30 September 2009(unaudited)

*RMB million (Unless otherwise stated)*

|   | <b>As at<br/>30 September<br/>2009<br/>Group</b> | <b>As at<br/>31 December<br/>2008<br/>Group</b> | <b>As at<br/>30 September<br/>2009<br/>Company</b> | <b>As at<br/>31 December<br/>2008<br/>Company</b> |
|---|--|---|--|---|
| <b>ASSETS</b>   |  |   |  |   |
| <b>Assets</b>   |  |   |  |   |
| Cash and cash equivalents   | 58,291   | 34,085  | 57,404   | 33,934  |
| Held-for-trading financial assets   | 13,687   | 14,099  | 13,685   | 14,068  |
| Securities purchased under<br>agreements to resell                        | 7,368  | –   | 7,368  | –   |
| Interest receivables  | 14,587   | 13,097  | 14,518   | 13,028  |
| Premiums receivables  | 9,152  | 6,433   | 9,152  | 6,433   |
| Receivable from reinsurers  | 21   | 163   | 21   | 163   |
| Unearned premium reserves<br>receivable from reinsurers                   | 72   | 70  | 72   | 70  |
| Claim reserves receivable<br>from reinsurers                              | 22   | 28  | 22   | 28  |
| Reserves for long-term health<br>insurance receivables<br>from reinsurers | 735  | 664   | 735  | 664   |
| Policy loans  | 12,337   | 8,676   | 12,337   | 8,676   |
| Debt plan investments   | 9,250  | 9,250   | 9,200  | 9,200   |
| Other receivables   | 3,259  | 1,485   | 3,184  | 1,497   |
| Term deposits   | 283,374  | 228,272   | 281,870  | 228,272   |
| Available-for-sale financial assets                                       | 450,220  | 424,634   | 447,487  | 421,379   |
| Held-to-maturity investments  | 228,024  | 211,929   | 228,017  | 211,929   |
| Long-term equity investments  | 8,990  | 8,222   | 12,855   | 11,007  |
| Statutory deposits  | 6,155  | 6,153   | 5,653  | 5,653   |
| Fixed assets  | 16,276   | 16,272  | 15,758   | 15,939  |
| Intangible assets   | 2,747  | 2,763   | 2,723  | 2,742   |
| Deferred tax assets   | 1,169  | 2,661   | 1,172  | 2,654   |
| Other assets  | 2,509  | 1,208   | 2,500  | 1,205   |
| <b>Total Assets</b>   | <b><u>1,128,245</u></b>                          | <b><u>990,164</u></b>                           | <b><u>1,125,733</u></b>                            | <b><u>988,541</u></b>                             |

**Yang Chao**  
*Chairman*

**Liu Jiade**  
*Vice President  
in charge of  
Accounting Affairs*

**Hwei-Chung Shao**  
*Chief Actuary*

**Yang Zheng**  
*Head of  
Financial  
Department*

4.1 Balance sheet as at 30 September 2009 (unaudited) (continued)

|   | <i>RMB million (Unless otherwise stated)</i> |                              |                               |                              |
|---|--|------------------------------|-------------------------------|------------------------------|
|   | As at<br>30 September<br>2009                | As at<br>31 December<br>2008 | As at<br>30 September<br>2009 | As at<br>31 December<br>2008 |
| <b>LIABILITIES AND EQUITY</b>                                       | <b>Group</b>                                 | <b>Group</b>                 | <b>Company</b>                | <b>Company</b>               |
| <b>Liabilities</b>  |  |                              |                               |                              |
| Financial assets sold under<br>agreements to repurchase             | 430  | 11,390                       | 30                            | 11,200                       |
| Premiums received in advance  | 1,111  | 1,811                        | 1,111                         | 1,811                        |
| Brokerage and commission payable                                    | 1,501  | 1,654                        | 1,500                         | 1,654                        |
| Due to reinsurers   | 32   | 49                           | 32                            | 49                           |
| Salary and welfare payable  | 3,086  | 3,652                        | 2,976                         | 3,506                        |
| Taxes payable   | 2,085  | 1,952                        | 2,077                         | 1,946                        |
| Claims payable  | 5,917  | 4,980                        | 5,917                         | 4,980                        |
| Policyholder dividends payable                                      | 44,710                                       | 43,178                       | 44,710                        | 43,178                       |
| Other payables  | 1,658  | 3,501                        | 1,678                         | 3,534                        |
| Policyholder deposits and agency<br>business liabilities            | 2,474  | 2,073                        | 2,474                         | 2,073                        |
| Unearned premium reserves   | 8,373  | 6,642                        | 8,373                         | 6,642                        |
| Claim reserves  | 3,017  | 2,629                        | 3,017                         | 2,629                        |
| Reserves for life insurance   | 892,148                                      | 761,349                      | 892,148                       | 761,349                      |
| Reserves for long-term<br>health insurance                          | 9,249  | 7,772                        | 9,249                         | 7,772                        |
| Other liabilities   | 2,659  | 1,651                        | 2,659                         | 1,651                        |
| <b>Total liabilities</b>  | <b>978,450</b>                               | <b>854,283</b>               | <b>977,951</b>                | <b>853,974</b>               |
| <b>Shareholders' equity</b>   |  |                              |                               |                              |
| Share capital   | 28,265                                       | 28,265                       | 28,265                        | 28,265                       |
| Capital reserves  | 63,714                                       | 63,917                       | 63,683                        | 63,874                       |
| Surplus reserves  | 11,298                                       | 10,289                       | 11,250                        | 10,241                       |
| General risk reserves   | 3,801  | 3,801                        | 3,801                         | 3,801                        |
| Undistributed profit  | 41,050                                       | 28,686                       | 40,783                        | 28,386                       |
| Difference from conversion of<br>foreign exchange statements        | (1)  | (1)                          | –                             | –                            |
| <b>Total equity attributable to<br/>shareholders of the Company</b> | <b>148,127</b>                               | <b>134,957</b>               | <b>147,782</b>                | <b>134,567</b>               |
| <b>Minority interests</b>   | <b>1,668</b>                                 | <b>924</b>                   | <b>–</b>                      | <b>–</b>                     |
| <b>Total shareholders' equity</b>                                   | <b>149,795</b>                               | <b>135,881</b>               | <b>147,782</b>                | <b>134,567</b>               |
| <b>Total liabilities and<br/>shareholders' equity</b>               | <b>1,128,245</b>                             | <b>990,164</b>               | <b>1,125,733</b>              | <b>988,541</b>               |

**Yang Chao**  
*Chairman*

**Liu Jiade**  
*Vice President  
in charge of  
Accounting Affairs*

**Hwei-Chung Shao**  
*Chief Actuary*

**Yang Zheng**  
*Head of  
Financial  
Department*

4.2 Income statement for the third quarter of 2009 (unaudited)

RMB million (Unless otherwise stated)

|   | For the nine months<br>ended 30 September |                  | For the nine months<br>ended 30 September |                  |
|---|---|------------------|---|------------------|
|   | 2009<br>Group                             | 2008<br>Group    | 2009<br>Company                           | 2008<br>Company  |
| <b>1. Operating income</b>                              | <b>287,231</b>                            | <b>284,945</b>   | <b>287,066</b>                            | <b>284,722</b>   |
| Premiums earned   | 235,434                                   | 247,139          | 235,434                                   | 247,139          |
| Premium income  | 237,264                                   | 248,595          | 237,264                                   | 248,595          |
| Including: reinsurance<br>premium income                | 1   | –                | 1   | –                |
| Less: Premiums ceded to reinsurers                      | (101)                                     | 350              | (101)                                     | 350              |
| Unearned premium reserves                               | (1,729)                                   | (1,806)          | (1,729)                                   | (1,806)          |
| Investment income                                       | 49,311                                    | 45,319           | 49,291                                    | 45,253           |
| Including: income from associates                       | 605                                       | 637              | 605                                       | 637              |
| Fair value gains/(losses)                               | 1,184                                     | (8,006)          | 1,183                                     | (7,900)          |
| Foreign exchange losses                                 | (27)                                      | (1,008)          | (27)                                      | (1,004)          |
| Other operating income                                  | 1,329                                     | 1,501            | 1,185                                     | 1,234            |
| <b>2. Operating expenses</b>                            | <b>(262,005)</b>                          | <b>(272,142)</b> | <b>(262,062)</b>                          | <b>(272,199)</b> |
| Surrenders  | (27,008)                                  | (31,942)         | (27,008)                                  | (31,942)         |
| Claims paid   | (57,927)                                  | (66,967)         | (57,927)                                  | (66,967)         |
| Less: claims recoverable<br>from reinsurers             | 74  | 45               | 74  | 45               |
| Increase of insurance reserve                           | (132,307)                                 | (130,609)        | (132,307)                                 | (130,609)        |
| Less: insurance reserves recoverable<br>from reinsurers | 66  | (144)            | 66  | (144)            |
| Policyholder dividends                                  | (10,975)                                  | (2,357)          | (10,975)                                  | (2,357)          |
| Business tax and surcharges                             | (950)                                     | (898)            | (916)                                     | (865)            |
| Brokerage and commission fees                           | (17,501)                                  | (18,395)         | (17,501)                                  | (18,395)         |
| Administrative expenses                                 | (12,475)                                  | (11,284)         | (12,165)                                  | (11,107)         |
| Less: expenses recoverable<br>from reinsurers           | (29)                                      | (58)             | (29)                                      | (58)             |
| Other operating expenses                                | (624)                                     | (803)            | (1,025)                                   | (1,070)          |
| Impairment losses                                       | (2,349)                                   | (8,730)          | (2,349)                                   | (8,730)          |
| <b>3. Operating profit</b>                              | <b>25,226</b>                             | <b>12,803</b>    | <b>25,004</b>                             | <b>12,523</b>    |
| Add: Non-operating income                               | 35  | 20               | 69  | 20               |
| Less: Non-operating expenses                            | (148)                                     | (98)             | (148)                                     | (94)             |
| <b>4. Net profit before income tax expenses</b>         | <b>25,113</b>                             | <b>12,725</b>    | <b>24,925</b>                             | <b>12,449</b>    |
| Less: Income tax expenses                               | (5,113)                                   | 535              | (5,018)                                   | 596              |
| <b>5. Net profit</b>                                    | <b>20,000</b>                             | <b>13,260</b>    | <b>19,907</b>                             | <b>13,045</b>    |
| <b>6. Attributable to:</b>                              |   |                  |   |                  |
| Shareholders of the Company                             | 19,874                                    | 13,111           |   |                  |
| Minority interests                                      | 126                                       | 149              |   |                  |
| <b>7. Earnings per share</b>                            |   |                  |   |                  |
| Basic earnings per share                                | RMB0.70                                   | RMB0.46          |   |                  |
| Diluted earnings per share                              | RMB0.70                                   | RMB0.46          |   |                  |
| <b>8. Other Comprehensive gains/(losses)</b>            | <b>(202)</b>                              | <b>(39,212)</b>  | <b>(191)</b>                              | <b>(39,048)</b>  |
| <b>9. Total Comprehensive gains/(losses)</b>            | <b>19,798</b>                             | <b>(25,952)</b>  | <b>19,716</b>                             | <b>(26,003)</b>  |
| Shareholders of the Company                             | 19,671                                    | (26,088)         |   |                  |
| Minority interests                                      | 127                                       | 136              |   |                  |

**Yang Chao**  
Chairman

**Liu Jiade**  
Vice President  
in charge of  
Accounting Affairs

**Hwei-Chung Shao**  
Chief Actuary

**Yang Zheng**  
Head of  
Financial  
Department

4.2 Income statement for the third quarter of 2009 (unaudited) (continue)

|   | <i>RMB million (Unless otherwise stated)</i>       |                 |  |                 |
|---|--|-----------------|--|-----------------|
|   | <b>For the three months<br/>ended 30 September</b> |                 | <b>For the three months<br/>ended 30 September</b> |                 |
|   | <b>2009</b>  | <b>2008</b>     | <b>2009</b>  | <b>2008</b>     |
|   | <b>Group</b>                                       | <b>Group</b>    | <b>Company</b>                                     | <b>Company</b>  |
| <b>1. Operating income</b>                              | <b>78,835</b>                                      | <b>76,973</b>   | <b>78,706</b>                                      | <b>77,081</b>   |
| Premiums earned   | 63,124   | 65,694          | 63,124   | 65,694          |
| Premium income  | 64,441   | 66,532          | 64,441   | 66,532          |
| Including: reinsurance<br>premium income                | —  | —               | —  | —               |
| Less: Premiums ceded to reinsurers                      | (37)   | (32)            | (37)   | (32)            |
| Unearned premium reserves                               | (1,280)  | (806)           | (1,280)  | (806)           |
| Investment income                                       | 15,618   | 11,124          | 15,559   | 11,257          |
| Including: income from associates                       | 223  | 83              | 223  | 83              |
| Fair value gains/(losses)                               | (339)  | (240)           | (339)  | (215)           |
| Foreign exchange losses                                 | (15)   | (28)            | (15)   | (28)            |
| Other operating income                                  | 447  | 423             | 377  | 373             |
| <b>2. Operating expenses</b>                            | <b>(71,421)</b>                                    | <b>(74,385)</b> | <b>(71,421)</b>                                    | <b>(74,397)</b> |
| Surrenders  | (7,575)  | (8,416)         | (7,575)  | (8,416)         |
| Claims paid   | (12,440)   | (14,655)        | (12,440)   | (14,655)        |
| Less: claims recoverable<br>from reinsurers             | 27   | 15              | 27   | 15              |
| Increase of insurance reserve                           | (38,638)   | (38,386)        | (38,638)   | (38,386)        |
| Less: insurance reserves<br>recoverable from reinsurers | 55   | —               | 55   | —               |
| Policyholder dividends                                  | (2,979)  | (217)           | (2,979)  | (217)           |
| Business tax and surcharges                             | (362)  | (141)           | (347)  | (134)           |
| Brokerage and commission fees                           | (5,212)  | (5,554)         | (5,212)  | (5,554)         |
| Administrative expenses                                 | (4,044)  | (3,562)         | (3,960)  | (3,508)         |
| Less: expenses recoverable<br>from reinsurers           | 6  | 12              | 6  | 12              |
| Other operating expenses                                | (195)  | (378)           | (361)  | (451)           |
| Impairment losses                                       | (64)   | (3,103)         | (64)   | (3,103)         |
| <b>3. Operating profit</b>                              | <b>7,414</b>                                       | <b>2,588</b>    | <b>7,218</b>                                       | <b>2,684</b>    |
| Add: Non-operating income                               | 22   | 10              | 13   | 10              |
| Less: Non-operating expenses                            | (103)  | (58)            | (103)  | (58)            |
| <b>4. Net profit before income<br/>    tax expenses</b> | <b>7,333</b>                                       | <b>2,540</b>    | <b>7,128</b>                                       | <b>2,636</b>    |
| Less: Income tax expenses                               | (1,315)  | (184)           | (1,256)  | (168)           |
| <b>5. Net profit</b>                                    | <b>6,018</b>                                       | <b>2,356</b>    | <b>5,872</b>                                       | <b>2,468</b>    |
| <b>6. Attributable to:</b>                              |  |                 |  |                 |
| Shareholders of the Company                             | 5,954  | 2,339           |  |                 |
| Minority interests                                      | 64   | 17              |  |                 |
| <b>7. Earnings per share</b>                            |  |                 |  |                 |
| Basic earnings per share                                | RMB0.21  | RMB0.08         |  |                 |
| Diluted earnings per share                              | RMB0.21  | RMB0.08         |  |                 |
| <b>8. Other Comprehensive gains/(losses)</b>            | <b>(9,745)</b>                                     | <b>2,533</b>    | <b>(9,704)</b>                                     | <b>2,539</b>    |
| <b>9. Total Comprehensive gains/(losses)</b>            | <b>(3,727)</b>                                     | <b>4,889</b>    | <b>(3,832)</b>                                     | <b>5,007</b>    |
| Shareholders of the Company                             | (3,785)  | 4,830           |  |                 |
| Minority interests                                      | 58   | 59              |  |                 |

**Yang Chao**  
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**Liu Jiade**  
*Vice President  
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Accounting Affairs*

**Hwei-Chung Shao**  
*Chief Actuary*

**Yang Zheng**  
*Head of  
Financial  
Department*

4.3 Cash flow statement for the third quarter of 2009 (unaudited)

*RMB million (Unless otherwise stated)*

|  | <b>For the nine months<br/>ended 30 September</b> |                       | <b>For the nine months<br/>ended 30 September</b> |                       |
|--|---|-----------------------|---|-----------------------|
|  | <b>2009</b>                                       | <b>2008</b>           | <b>2009</b>                                       | <b>2008</b>           |
|  | <b>Group</b>                                      | <b>Group</b>          | <b>Company</b>                                    | <b>Company</b>        |
| <b>1. Cash flows from operating activities</b>                                 |   |                       |   |                       |
| Premiums received  | 233,742   | 245,667               | 233,742   | 245,667               |
| Net cash from reinsurance business   | 70  | 269                   | 70  | 269                   |
| Net increase in policyholder<br>investments and agency<br>business liabilities | 284   | –                     | 284   | –                     |
| Net cash from held-for-trading<br>financial assets                             | 1,724   | 19,350                | 1,695   | 19,659                |
| Cash received from other<br>operating activities                               | 912   | 3,876                 | 876   | 1,530                 |
|  | <u>236,732</u>                                    | <u>269,162</u>        | <u>236,667</u>                                    | <u>267,125</u>        |
| <b>Sub-total of cash inflows<br/>from operating activities</b>                 |   |                       |   |                       |
| Cash paid for claims   | (83,994)  | (96,557)              | (83,994)  | (96,557)              |
| Net decrease in policyholder<br>investments and agency<br>business liabilities | –   | (50)                  | –   | (50)                  |
| Cash paid for brokerage<br>and commission fees                                 | (17,654)  | (18,298)              | (17,654)  | (18,295)              |
| Cash paid for policyholder<br>dividends  | (5,758)   | (7,697)               | (5,758)   | (7,697)               |
| Cash paid to and for employees   | (5,882)   | (7,026)               | (5,715)   | (6,286)               |
| Cash paid for taxes and surcharges   | (5,137)   | (9,865)               | (5,043)   | (9,741)               |
| Cash paid for other operating<br>activities                                    | (6,758)   | (9,847)               | (7,002)   | (8,487)               |
|  | <u>(125,183)</u>                                  | <u>(149,340)</u>      | <u>(125,166)</u>                                  | <u>(147,113)</u>      |
| <b>Sub-total of cash outflows<br/>from operating activities</b>                |   |                       |   |                       |
| <b>Net cash flows from<br/>operating activities</b>                            | <u><u>111,549</u></u>                             | <u><u>119,822</u></u> | <u><u>111,501</u></u>                             | <u><u>120,012</u></u> |

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*Head of  
Financial  
Department*

4.3 Cash flow statement for the third quarter of 2009 (unaudited) (continued)

|  | <i>RMB million (Unless otherwise stated)</i>      |                       |   |                         |
|--|---|-----------------------|---|-------------------------|
|  | <b>For the nine months<br/>ended 30 September</b> |                       | <b>For the nine months<br/>ended 30 September</b> |                         |
|  | <b>2009<br/>Group</b>                             | <b>2008<br/>Group</b> | <b>2009<br/>Company</b>                           | <b>2008<br/>Company</b> |
| <b>2. Cash flows from investing activities</b>   |   |                       |   |                         |
| Cash received from sales and redemption of investments   | 217,795   | 80,169                | 215,402   | 78,508                  |
| Cash received from investment income   | 30,144  | 38,942                | 30,027  | 38,843                  |
| Net cash received from disposals of fixed assets, intangible assets and other long-term assets | 107   | 109                   | 315   | 109                     |
| Net cash from securities purchased under agreements to resell                                  | —   | 2,977                 | —   | 2,774                   |
| <b>Sub-total of cash inflows from investing activities</b>                                     | <b>248,046</b>                                    | <b>122,197</b>        | <b>245,744</b>                                    | <b>120,234</b>          |
| Cash paid for acquisition of investments   | (306,428)   | (224,926)             | (304,163)   | (222,913)               |
| Net increase in policy loans   | (3,489)   | (2,014)               | (3,489)   | (2,014)                 |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets        | (993)   | (1,719)               | (980)   | (1,700)                 |
| Net cash paid for securities purchased under agreements to resell                              | (7,365)   | —                     | (7,365)   | —                       |
| <b>Sub-total of cash outflows from investing activities</b>                                    | <b>(318,275)</b>                                  | <b>(228,659)</b>      | <b>(315,997)</b>                                  | <b>(226,627)</b>        |
| <b>Net cash flows from investing activities</b>  | <b>(70,229)</b>                                   | <b>(106,462)</b>      | <b>(70,253)</b>                                   | <b>(106,393)</b>        |

4.3 Cash flow statement for the third quarter of 2009 (unaudited) (continued)

|   | <i>RMB million (Unless otherwise stated)</i>      |                       |   |                         |
|---|---|-----------------------|---|-------------------------|
|   | <b>For the nine months<br/>ended 30 September</b> |                       | <b>For the nine months<br/>ended 30 September</b> |                         |
|   | <b>2009<br/>Group</b>                             | <b>2008<br/>Group</b> | <b>2009<br/>Company</b>                           | <b>2008<br/>Company</b> |
| <b>3. Cash flows from financing activities</b>  |   |                       |   |                         |
| Cash received from capital contributions  | 720   | –                     | –   | –                       |
| Net proceeds from investment<br>in securities sold under agreements<br>to repurchase  | –   | 4,664                 | –   | 4,666                   |
| <b>Sub-total of cash inflows from<br/>financing activities</b>                        | <b>720</b>  | <b>4,664</b>          | <b>–</b>  | <b>4,666</b>            |
| Net cash paid for securities sold<br>under agreements to repurchase                   | (11,047)  | –                     | (11,251)  | –                       |
| Cash paid for dividends and interest  | (6,761)   | (11,967)              | (6,501)   | (11,871)                |
| <b>Sub-total of cash outflows from<br/>financing activities</b>                       | <b>(17,808)</b>                                   | <b>(11,967)</b>       | <b>(17,752)</b>                                   | <b>(11,871)</b>         |
| <b>Net cash flows from financing<br/>activities</b>                                   | <b>(17,088)</b>                                   | <b>(7,303)</b>        | <b>(17,752)</b>                                   | <b>(7,205)</b>          |
| <b>4. Effect of changes in foreign exchange<br/>rate on cash and cash equivalents</b> | <b>(26)</b>                                       | <b>(858)</b>          | <b>(26)</b>                                       | <b>(853)</b>            |
| <b>5. Net increase/(decrease) in cash<br/>and cash equivalents</b>                    | <b>24,206</b>                                     | <b>5,199</b>          | <b>23,470</b>                                     | <b>5,561</b>            |
| Add: Opening balance of cash<br>and cash equivalents                                  | 34,085  | 25,317                | 33,934  | 24,808                  |
| <b>6. Closing balance of cash and<br/>cash equivalents</b>                            | <b>58,291</b>                                     | <b>30,516</b>         | <b>57,404</b>                                     | <b>30,369</b>           |

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