

ALLEGHENY TECHNOLOGIES INC  
Form 4  
January 31, 2007

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**HASSEY L PATRICK**

2. Issuer Name and Ticker or Trading Symbol  
**ALLEGHENY TECHNOLOGIES INC [ATI]**

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
**1000 SIX PPG PLACE**  
  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
**01/29/2007**

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
**Chairman, President and CEO**

**PITTSBURGH, PA 15222-5479**

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

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

(City) (State) (Zip)

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Stock, \$0.10 par value	01/30/2007		S		800	D	\$ 101.22
Common Stock, \$0.10 par value	01/30/2007		S		1,000	D	\$ 101.21
Common Stock, \$0.10 par value	01/30/2007		S		1,000	D	\$ 101.2

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Common Stock, \$0.10 par value	01/30/2007	S	800	D	\$ 101.19	310,456.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	2,900	D	\$ 101.18	307,556.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,300	D	\$ 101.17	306,256.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	200	D	\$ 101.16	306,056.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	2,000	D	\$ 101.15	304,056.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	100	D	\$ 101.14	303,956.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	500	D	\$ 101.13	303,456.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,200	D	\$ 101.12	302,256.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	900	D	\$ 101.11	301,356.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	2,600	D	\$ 101.1	298,756.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,000	D	\$ 101.09	297,756.2206	D
	01/30/2007	S	1,900	D		295,856.2206	D

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Common Stock, \$0.10 par value					\$ 101.08		
Common Stock, \$0.10 par value	01/30/2007	S	100	D	\$ 101.07	295,756.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,100	D	\$ 101.06	294,656.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,200	D	\$ 101.05	293,456.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	600	D	\$ 101.04	292,856.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	1,000	D	\$ 101.03	291,856.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	2,700	D	\$ 101.02	289,156.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	2,600	D	\$ 101.01	286,556.2206	D
Common Stock, \$0.10 par value	01/30/2007	S	3,200	D	\$ 101	283,356.2206	D

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

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(9-02)

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

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HASSEY L PATRICK 1000 SIX PPG PLACE PITTSBURGH, PA 15222-5479	X		Chairman, President and CEO	

## Signatures

/s/ L. Patrick  
Hassey  
Date: 01/31/2007

\*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

### Remarks:

Form 2 of 2

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

	For the year ended 31 December	
	2008 RMB million	2007 RMB million
Current taxation-enterprises income tax	2,077	8,730
Deferred taxation	(687)	(2,399)
<b>Taxation charges</b>	<b>1,390</b>	<b>6,331</b>

- (b) The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC (for the year ended 31 December 2007: 33%) is as follows:

	For the year ended 31 December	
	2008 <i>RMB million</i>	2007 <i>RMB million</i>
Net profit before income tax expenses	22,804	45,391
Tax computed at the statutory tax rate	5,701	14,979
Non-taxable income (i)	(4,530)	(6,802)
Additional tax liability from expenses not deductible for tax purposes (i)	196	1,310
Other	23	
Effect on change in statutory tax rate (ii)		(3,156)
Income taxes at effective tax rate	1,390	6,331

- (i) Non-taxable income mainly includes interest income from government bonds and fund distribution. Expenses not deductible for tax purposes mainly include commission, brokerage and donation expenses in excess of deductible amounts as allowed by relevant tax regulations.
- (ii) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new CIT Law). The new CIT Law reduces the domestic corporate income tax rate from 33% to 25% with effect from 1 January 2008.

- (c) As at 31 December 2008, deferred income taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 25%.

The movement on the deferred income tax liabilities account is as follows:

	Group	
	2008 <i>RMB million</i>	2007 <i>RMB million</i>
As at 1 January	24,786	19,022
Deferred taxation charged to income statement	(687)	(2,399)
Deferred taxation charged to equity	(11,530)	8,163
As at 31 December	12,569	24,786

	Company	
	2008 <i>RMB million</i>	2007 <i>RMB million</i>
As at 1 January	24,743	18,991
Deferred taxation charged to income statement	(724)	(2,401)
Deferred taxation charged to equity	(11,507)	8,153
<b>As at 31 December</b>	<b>12,512</b>	<b>24,743</b>

(d) The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax Group	Long-term insurance contracts and investment contracts <i>RMB million</i>	Short-term insurance contracts <i>RMB million</i>	Investments <i>RMB million</i>	DAC <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
As at 1 January 2007	6,051	658	(12,963)	(12,944)	176	(19,022)
(Charged)/credited to income statement	(5,247)	(304)	5,238	2,502	210	2,399
(Charged)/credited to equity	1,902		(10,295)	230		(8,163)
<b>As at 31 December 2007</b>	<b>2,706</b>	<b>354</b>	<b>(18,020)</b>	<b>(10,212)</b>	<b>386</b>	<b>(24,786)</b>
As at 1 January 2008	2,706	354	(18,020)	(10,212)	386	(24,786)
(Charged)/credited to income statement	(227)	54	3,750	(3,361)	471	687
(Charged)/credited to equity	(1,666)		14,188	(992)		11,530
<b>As at 31 December 2008</b>	<b>813</b>	<b>408</b>	<b>(82)</b>	<b>(14,565)</b>	<b>857</b>	<b>(12,569)</b>

	<b>Group</b>	
	<b>As at 31 December</b>	
	<b>2008</b>	<b>2007</b>
	<i>RMB million</i>	<i>RMB million</i>
<b>Deferred tax assets:</b>		
deferred tax asset to be recovered after more than 12 months	5,714	8,042
deferred tax asset to be recovered within 12 months	3,917	1,027
<b>Subtotal</b>	<b>9,631</b>	9,069
<b>Deferred tax liabilities:</b>		
deferred tax liability to be settled after more than 12 months	(21,771)	(33,504)
deferred tax liability to be settled within 12 months	(429)	(351)
<b>Subtotal</b>	<b>(22,200)</b>	(33,855)
<b>Total net deferred income tax liabilities</b>	<b>(12,569)</b>	(24,786)

<b>Deferred tax Company</b>	<b>Long-term insurance contracts and investment contracts</b>	<b>Short-term insurance contracts</b>	<b>Investments</b>	<b>DAC</b>	<b>Others</b>	<b>Total</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
As at 1 January 2007	6,051	658	(12,932)	(12,944)	176	(18,991)
(Charged)/credited to income statement	(5,247)	(304)	5,240	2,502	210	2,401
(Charged)/credited to equity	1,902		(10,285)	230		(8,153)
<b>As at 31 December 2007</b>	<b>2,706</b>	<b>354</b>	<b>(17,977)</b>	<b>(10,212)</b>	<b>386</b>	<b>(24,743)</b>
At 1 January 2008	2,706	354	(17,977)	(10,212)	386	(24,743)
(Charged)/credited to income statement	(227)	54	3,807	(3,361)	451	724
(Charged)/credited to equity	(1,666)		14,165	(992)		11,507
<b>As at 31 December 2008</b>	<b>813</b>	<b>408</b>	<b>(5)</b>	<b>(14,565)</b>	<b>837</b>	<b>(12,512)</b>

	<b>Company</b>	
	<b>As at 31 December</b>	
	<b>2008</b>	<b>2007</b>
	<i>RMB million</i>	<i>RMB million</i>
<b>Deferred tax assets:</b>		
deferred tax asset to be recovered after more than 12 months	5,758	8,045
deferred tax asset to be recovered within 12 months	3,912	1,027
<b>Subtotal</b>	<b>9,670</b>	9,072
<b>Deferred tax liabilities:</b>		
deferred tax liability to be settled after more than 12 months	(21,753)	(33,464)
deferred tax liability to be settled within 12 months	(429)	(351)
<b>Subtotal</b>	<b>(22,182)</b>	(33,815)
<b>Total net deferred income tax liabilities</b>	<b>(12,512)</b>	(24,743)

## 9 EARNINGS PER SHARE

There is no difference between basic and diluted earnings per share. The basic and diluted earnings per share for the year ended 31 December 2008 are based on the weighted average number of 28,264,705,000 ordinary shares (for the year ended 31 December 2007: 28,264,705,000).

## 10 DIVIDENDS

Pursuant to the shareholders' approval at the Annual General Meeting in May 2008, a final dividend of RMB0.42 per ordinary share totalling RMB11,871 million in respect of the year ended 31 December 2007 was declared and was paid in July 2008. These dividends have been recorded in the consolidated financial statements for the year ended 31 December 2008.

Pursuant to a resolution passed at the meeting of the Board of Directors on 25 March 2009, a final dividend of RMB0.23 per ordinary share totalling approximately RMB6,501 million for the year ended 31 December 2008 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided in the consolidated financial statements for the year ended 31 December 2008.



**CONSOLIDATED BALANCE SHEET-AUDITED****AS AT 31 DECEMBER**

	2008 <i>RMB million</i>	2007 <i>RMB million</i>
<b>ASSETS</b>		
Property, plant and equipment	18,151	16,771
Deferred policy acquisition costs ( DAC )	58,268	40,851
Investments in associates	8,176	6,450
<b>Financial assets</b>		
Debt securities	575,885	443,181
held-to-maturity securities	211,929	195,703
available-for-sale securities	356,220	241,382
at fair value through income (held-for-trading)	7,736	6,096
Equity securities	75,082	195,147
available-for-sale securities	68,719	176,133
at fair value through income (held-for-trading)	6,363	19,014
Term deposits	228,272	168,594
Statutory deposits-restricted	6,153	5,773
Loans	17,926	7,144
Securities purchased under agreements to resell		5,053
Accrued investment income	13,149	9,857
Premiums receivables	6,433	6,218
Reinsurance assets	963	966
Other assets	2,285	2,382
Cash and cash equivalents	34,085	25,317
<b>Total Assets</b>	<b>1,044,828</b>	<b>933,704</b>

	As at 31 December 2008 <i>RMB million</i>	As at 31 December 2007 <i>RMB million</i>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Insurance contracts		
Long-term traditional insurance contracts	273,474	218,165
Long-term investment type insurance contracts	362,241	284,588
Short-term insurance contracts		
reserves for claims and claim adjustment expenses	2,629	2,391
unearned premium reserves	6,265	5,728
Deferred income	74,487	48,308
Financial Liabilities		
Investment contracts		
with Discretionary Participation Feature ( DPF )	51,713	49,068
without DPF	1,516	2,234
Securities sold under agreements to repurchase	11,390	100
Policyholder dividends payable	24,358	58,344
Annuity and other insurance balances payable	28,986	14,111
Premiums received in advance	1,811	2,201
Other liabilities	9,882	8,870
Deferred tax liabilities	12,569	24,786
Current income tax liabilities	1,668	8,312
Statutory insurance fund	266	122
<b>Total liabilities</b>	<b>863,255</b>	<b>727,328</b>
<b>Shareholders equity</b>		
Share capital	28,265	28,265
Reserves	85,378	114,825
Retained earnings	67,006	62,410
<b>Total shareholders equity</b>	<b>180,649</b>	<b>205,500</b>

	As at 31 December 2008 <i>RMB million</i>	As at 31 December 2007 <i>RMB million</i>
<b>Minority interest</b>	<b>924</b>	876
<b>Total equity</b>	<b>181,573</b>	206,376
<b>Total liabilities and equity</b>	<b>1,044,828</b>	933,704

*Note: The aging of premiums receivables is within 12 months.*

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY-AUDITED

#### FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to shareholders of the Company				Minority Interest <i>RMB million</i>	Total <i>RMB million</i>
	Share capital <i>RMB million</i>	Reserves <i>RMB million</i>	Retained earnings <i>RMB million</i>			
As at 1 January 2007	28,265	77,368	34,032	540	140,205	
Net profit			38,879	181	39,060	
Dividends paid			(3,957)		(3,957)	
Dividends to minority interest				(42)	(42)	
Appropriation to reserve		6,544	(6,544)			
Unrealised gains, net of tax		30,913		21	30,934	
Capital contribution				179	179	
Others				(3)	(3)	
<b>As at 31 December 2007</b>	<b>28,265</b>	<b>114,825</b>	<b>62,410</b>	<b>876</b>	<b>206,376</b>	
As at 1 January 2008	28,265	114,825	62,410	876	206,376	

	Attributable to shareholders of the Company				Total RMB million
	Share capital RMB million	Reserves RMB million	Retained earnings RMB million	Minority Interest RMB million	
Net profit			21,277	137	21,414
Dividends paid			(11,871)		(11,871)
Dividends to minority interest				(93)	(93)
Appropriation to reserve		4,810	(4,810)		
Unrealised losses, net of tax		(34,247)		(48)	(34,295)
Capital contribution				45	45
Others		(10)		7	(3)
<b>As at 31 December 2008</b>	<b>28,265</b>	<b>85,378</b>	<b>67,006</b>	<b>924</b>	<b>181,573</b>

**CONSOLIDATED CASH FLOW STATEMENT-AUDITED****FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 RMB million	2007 RMB million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax expenses:	22,804	45,391
Adjustments for:		
Net investment income	(39,401)	(45,803)
Net realised and unrealised (gains)/losses on financial assets	13,812	(34,228)
Amortisation of deferred policy acquisition costs	11,784	13,461
Increase in deferred income	21,139	9,859
Interest credited to long-term investment type insurance contracts and investment contracts	10,570	8,319
Policy fees	(13,724)	(7,691)
Depreciation and amortisation	1,349	1,070
Amortisation of premiums and discounts	(881)	(648)
Loss on foreign exchange and impairments	658	641

	2008 <i>RMB million</i>	2007 <i>RMB million</i>
<b>Changes in operational assets and liabilities:</b>		
Deferred policy acquisition costs	(25,230)	(17,480)
Financial assets at fair value through income (held-for-trading)	4,394	31,187
Receivables and payables	(9,377)	28,626
Reserves for claims and claim adjustment expenses	238	(107)
Unearned premium reserves	537	382
Long-term traditional insurance contracts	55,290	45,344
<b>Cash generated from operating activities</b>		
Income tax paid	(8,583)	(1,261)
Interest received	29,333	26,392
Dividends received	10,067	19,400
<b>Net cash inflow from operating activities</b>	<b>84,779</b>	<b>122,854</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales and maturities:		
Sales of debt securities	19,556	26,891
Maturities of debt securities	4,143	8,548
Sales of equity securities	59,340	46,829
Property, plant and equipment	188	207
Purchases:		
Debt securities	(119,989)	(134,205)
Equity securities	(49,480)	(80,322)
Property, plant and equipment	(2,825)	(3,388)
Investment in associate	(1,200)	
Term deposits, net	(60,095)	6,572
Securities purchased under agreements to resell, net	5,053	(5,053)
Other	(11,162)	(4,593)
<b>Net cash outflow from investing activities</b>	<b>(156,471)</b>	<b>(138,514)</b>

	2008 <i>RMB million</i>	2007 <i>RMB million</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from investment in securities sold under agreements to repurchase, net	11,290	(8,127)
Deposits in long-term investment type insurance contracts and investment contracts	176,269	94,227
Withdrawals from long-term investment type insurance contracts and investment contracts	(94,847)	(90,904)
Contribution from minority shareholders		29
Dividends paid to the Company's shareholders	(11,871)	(3,957)
Dividends paid to minority interest	(93)	(42)
Cash flow from other financing activities		45
<b>Net cash inflow/(outflow) from financing activities</b>	<b>80,748</b>	<b>(8,729)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,056</b>	<b>(24,389)</b>
<b>Cash and cash equivalents</b>		
<b>Beginning of year</b>	<b>25,317</b>	<b>50,213</b>
<b>Foreign currency losses on cash and cash equivalents</b>	<b>(288)</b>	<b>(507)</b>
<b>End of year</b>	<b>34,085</b>	<b>25,317</b>
<b>Analysis of balance of cash and cash equivalents</b>		
Cash at bank and in hand	20,841	18,536
Short-term bank deposits	13,244	6,781

**SEGMENT INFORMATION****1. Business segments**

The Group has the following main business segments:

*(i) Individual life insurance business*

Individual life insurance business relates primarily to the sale of insurance contracts and investment contracts to individuals and comprises participating and non-participating business. Participating life insurance business relates primarily to the sale of participating contracts, which provides the policyholder with a participation in the profits arising from the invested assets relating to the policy and mortality gains, Non-participating insurance business relates primarily to non-participating life insurance and annuity products, which provides guaranteed benefits to the insured without a participation in the profits.

*(ii) Group life insurance business*

Group life insurance business relates primarily to the sale of insurance contracts and investment contracts to group entities and comprises participating and non-participating business as described above.

*(iii) Accident and health insurance business*

Accident and health insurance business relates primarily to the sale of accident and health insurance and accident only products.

*(iv) Corporate and other*

Corporate and other business relates primarily to income and expenses in respect of the provision of the services to China Life Insurance (Group) Company ( CLIC ), share of results of associates and unallocated income taxes.

**2. Basis of allocating net investment income, realised and unrealised gains or losses and administrative and other operating expenses**

Net investment income, net realised gains or losses on financial assets, net fair value gains or losses on assets at fair value through income (held-for-trading) and foreign exchange losses within other operating expenses are allocated among segments in proportion to each respective segment's average statutory policyholder reserve and claims provision at the beginning and end of the year. Administrative and other operating expenses are allocated among segments in proportion to the unit cost of products in the respective segments.

	For the year ended 31 December 2008				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
<b>Revenues</b>					
Gross written premiums and policy fees	121,452	831	13,042		135,325
Gross written premiums	108,235	324	13,042		
Term Life	300	25			
Whole Life	35,402	274			
Endowment	45,816				
Annuity	26,717	25			
Policy fees	13,217	507			
Net premiums earned and policy fees	121,434	831	12,385		134,650
Net investment income	40,070	3,420	560		44,050
Net realised losses on financial assets	(5,927)	(506)	(83)		(6,516)
Net fair value losses on assets at fair value through income (held-for-trading)	(6,637)	(566)	(93)		(7,296)
Other income				1,923	1,923
<b>Segment revenues</b>	<b>148,940</b>	<b>3,179</b>	<b>12,769</b>	<b>1,923</b>	<b>166,811</b>



	Individual life	For the year ended 31 December 2008			Total
		Group life	Accident & Health	Corporate & other	
<i>(RMB million)</i>					
<b>Benefits, claims and expenses</b>					
Insurance benefits and claims					
Life insurance death and other benefits	(16,915)	(862)			(17,777)
Accident and health claims and claim adjustment expenses			(7,553)		(7,553)
Increase/decrease in long-term traditional insurance contracts liabilities	(55,957)	676			(55,281)
Interest credited to long-term investment type insurance contracts	(9,185)	(27)			(9,212)
Interest credited to investment contracts		(1,358)			(1,358)
Increase/decrease in deferred income	(21,187)	48			(21,139)
Policyholder dividends resulting from participation in profits	(2,374)	(118)			(2,492)
Amortization of deferred policy acquisition costs	(10,265)	(469)	(1,050)		(11,784)
Underwriting and policy acquisition costs	(2,422)	(14)	(958)		(3,394)
Administrative expenses	(7,790)	(434)	(2,405)	(1,481)	(12,110)
Other operating expenses	(1,429)	(111)	(154)	(197)	(1,891)
Statutory insurance fund	(160)	(11)	(73)		(244)
<b>Segment benefits, claims and expenses</b>	<b>(127,684)</b>	<b>(2,680)</b>	<b>(12,193)</b>	<b>(1,678)</b>	<b>(144,235)</b>
<b>Share of results of associates</b>				<b>228</b>	<b>228</b>
<b>Segment results</b>	<b>21,256</b>	<b>499</b>	<b>576</b>	<b>473</b>	<b>22,804</b>

	For the year ended 31 December 2008				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
Income tax expenses				(1,390)	(1,390)
<b>Net profit/(loss)</b>	<b>21,256</b>	<b>499</b>	<b>576</b>	<b>(917)</b>	<b>21,414</b>
Attributable to					
shareholders of the Company	21,256	499	576	(1,054)	21,277
minority interest				137	137
<b>Unrealised gains/(losses) included in shareholders equity</b>	<b>(31,417)</b>	<b>(2,682)</b>	<b>(439)</b>	<b>291</b>	<b>(34,247)</b>
	As at 31 December 2008				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
<b>Assets</b>					
Financial assets	833,667	71,159	11,641		916,467
Deferred policy acquisition costs	55,950	965	1,353		58,268
Cash and cash equivalents	31,005	2,647	433		34,085
<b>Segment assets</b>	<b>920,622</b>	<b>74,771</b>	<b>13,427</b>		<b>1,008,820</b>
<b>Unallocated</b>					
Property, plant and equipment					18,151
Other assets					17,857

	As at 31 December 2008				
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	Total
<b>Total</b>					<b>1,044,828</b>
<b>Liabilities</b>					
Insurance contracts					
Long-term traditional insurance contracts	272,265	1,209			273,474
Long-term investment type insurance contracts	360,661	1,580			362,241
Short-term insurance contracts:					
reserves for claims and claim adjustment expenses			2,629		2,629
unearned premium reserves			6,265		6,265
Deferred income	73,857	630			74,487
Financial liabilities					
Investment contracts					
with DPF		51,713			51,713
without DPF		1,516			1,516
Securities sold under agreements to repurchase	10,361	885	144		11,390
<b>Segment liabilities</b>	<b>717,144</b>	<b>57,533</b>	<b>9,038</b>		<b>783,715</b>
<b>Unallocated</b>					
Other liabilities					79,540
<b>Total</b>					<b>863,255</b>

	For the year ended 31 December 2007				
	Individual life	Group life	Accident & Health	Corporate & other	Total
	<i>(RMB million)</i>				
<b>Revenues</b>					
Gross written premiums and policy fees	98,484	1,503	11,899		111,886
Gross written premiums	91,420	876	11,899		
Term Life	175	9			
Whole Life	31,943	678			
Endowment	40,278				
Annuity	19,024	189			
Policy fees	7,064	627			
Net premiums earned and policy fees	98,470	1,503	11,431		111,404
Net investment income	39,489	3,902	629		44,020
Net realised gains on financial assets	13,801	1,364	220		15,385
Net fair value gains on assets at fair value through income (held-for-trading)	16,904	1,670	269		18,843
Other income				1,720	1,720
<b>Segment revenues</b>	<b>168,664</b>	<b>8,439</b>	<b>12,549</b>	<b>1,720</b>	<b>191,372</b>

	For the year ended 31 December 2007				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
<b>Benefits, claims and expenses</b>					
Insurance benefits and claims					
Life insurance death and other benefits	(16,463)	(967)			(17,430)
Accident and health claims and claim adjustment expenses			(6,343)		(6,343)
Increase/decrease in long-term traditional insurance contracts liabilities					
	(45,370)	36			(45,334)
Interest credited to long-term investment type insurance contracts	(7,157)	(24)			(7,181)
Interest credited to investment contracts		(1,138)			(1,138)
Increase in deferred income	(9,828)	(31)			(9,859)
Policyholder dividends resulting from participation in profits	(25,729)	(3,522)			(29,251)
Amortization of deferred policy acquisition costs	(12,182)	(485)	(794)		(13,461)
Underwriting and policy acquisition costs	(2,013)	(6)	(703)	(3)	(2,725)
Administrative expenses	(7,214)	(606)	(2,192)	(1,786)	(11,798)
Other operating expenses	(1,343)	(132)	(106)	(70)	(1,651)
Statutory insurance fund	(163)	(1)	(55)		(219)
<b>Segment benefits, claims and expenses</b>	<b>(127,462)</b>	<b>(6,876)</b>	<b>(10,193)</b>	<b>(1,859)</b>	<b>(146,390)</b>
<b>Share of results of associates</b>					
				<b>409</b>	<b>409</b>
<b>Segment results</b>	<b>41,202</b>	<b>1,563</b>	<b>2,356</b>	<b>270</b>	<b>45,391</b>

	For the year ended 31 December 2007				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
Income tax expenses				(6,331)	(6,331)
<b>Net profit/(loss)</b>	<b>41,202</b>	<b>1,563</b>	<b>2,356</b>	<b>(6,061)</b>	<b>39,060</b>
Attributable to:					
shareholders of the Company	41,202	1,563	2,356	(6,242)	38,879
minority interest				181	181
<b>Unrealised gains/(losses) included in shareholders equity</b>	<b>27,758</b>	<b>2,743</b>	<b>442</b>	<b>(30)</b>	<b>30,913</b>
	As at 31 December 2007				Total
	Individual life	Group life	Accident & Health (RMB million)	Corporate & other	
<b>Assets</b>					
Financial assets	748,831	73,988	11,930		834,749
Deferred policy acquisition costs	39,037	764	1,050		40,851
Cash and cash equivalents	22,711	2,244	362		25,317
<b>Segment assets</b>	<b>810,579</b>	<b>76,996</b>	<b>13,342</b>		<b>900,917</b>
<b>Unallocated</b>					
Property, plant and equipment					16,771
Other assets					16,016
<b>Total</b>					<b>933,704</b>

	As at 31 December 2007				
	Individual life	Group life	Accident & Health	Corporate & other	Total
	(RMB million)				
<b>Liabilities</b>					
Insurance contracts					
Long-term traditional insurance contracts	216,280	1,885			218,165
Long-term investment type insurance contracts	283,520	1,068			284,588
Short-term insurance contracts:					
reserves for claims and claim adjustment expenses			2,391		2,391
unearned premium reserves			5,728		5,728
Deferred income	47,761	547			48,308
Financial liabilities					
Investment contracts					
with DPF		49,068			49,068
without DPF		2,234			2,234
Securities sold under agreements to repurchase	90	9	1		100
<b>Segment liabilities</b>	<b>547,651</b>	<b>54,811</b>	<b>8,120</b>		<b>610,582</b>
<b>Unallocated</b>					
Other liabilities					116,746
<b>Total</b>					<b>727,328</b>

## **BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ( HKFRS ), under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through income.

The Hong Kong Institute of Certified Public Accountants has issued some standards, amendments and interpretations which were effective for accounting periods beginning on or after 1 January 2008 (details are in Note 2 to the consolidated financial statements included in the 2008 annual report).

## **CHAIRMAN S STATEMENT**

Dear Shareholders,

I am pleased to present to you the Group s operating results for the Reporting Period.

2008 has been an extraordinary year for China. During the first half of the year, the country was hit by the snow storm in Southern China at the beginning of the year, and then by the devastating earthquake in Sichuan on 12 May 2008. In the second half of the year, China felt the impact of the global financial crisis. Due to these external factors, the Company s operating and development environment has become very challenging. In response to this, the Company accurately assessed the macroeconomic and financial situation, the competition landscape and trends of the industry, and adopted proactive and prudent measures. As a result, the Company continued to be one of the strongest performers in the industry. The Company further enhanced its overall strength, leading position in the life insurance industry and social recognition during the year, making solid progress in the mode of development with its own characteristics.

For the Reporting Period, the Group s total revenues reached RMB166,811 million, net profit attributable to shareholders of the Company was RMB21,277 million, and the basic and diluted earnings per share was RMB0.75. The Board of Directors recommended the payment of a final dividend of RMB0.23 per share for the year ended 31 December 2008. This will come into effect after shareholders approval at the Annual General Meeting to be held on Monday, 25 May 2009.

The Company is the core member of China Life Insurance (Group) Company, which has been listed in Fortune Global 500 and the World Brand Lab s The World s 500 Most Influential Brands . In 2008, the Company received the Best Corporate Governance award by Finance Asia, and the Best Insurance Company in Asia 2008 and the Best Insurance Company in China 2008 awards by Euromoney. In January 2009, Standard & Poor Rating Services, Moody s Investors Service and Fitch Ratings assigned A+ , A1 and A+ to the Company respectively, with a stable rating outlook.



**Substantial business growth and further enhancement in financial strength**

During the year, the Company fully leveraged the resources of its local branches, sales force and bancassurance channels by adopting the proactive competition strategy, resulting in a rapid growth of its insurance business. During the Reporting Period, the Group's gross written premiums and policy fees reached RMB135,325 million, an increase of 20.9% from 2007.

According to the data released by China Insurance Regulatory Commission, under PRC Generally Accepted Accounting Principles ( PRC GAAP ), the Company's market share in 2008 was about 40.3%, up 0.5 percentage point from 2007, further enhancing the Company's leading position in the life insurance market of China<sup>1</sup>.

As at the end of the Reporting Period, the Group's total assets reached RMB1,044,828 million, an increase of 11.9% from the end of 2007. The embedded value reached RMB240,087 million, and the solvency ratio was 310%. For the Reporting Period, value of one year's sales of the Company reached RMB13,924 million, an increase of 15.6% from 2007.

**Meeting with market changes proactively and emphasizing sustainability of development**

In 2008, in response to the increasingly acute competition in the insurance market, the Company continued to optimize its business structure and enhance long-term development sustainability. The Company focused on the development of traditional and participating products as well as moderate growth of investment-related products such as unit-linked insurance products and universal life insurance products, with a view to continually enhancing the profitability of its insurance products and business; emphasized on the development of long-term regular premium products to further optimize the business structure; and emphasized on the development of protection-oriented insurance products to continue to enhance the core competitiveness of its insurance products.

In 2008, the Group's first-year regular gross written premiums reached RMB30,280 million, an increase of 24.3% from 2007. First-year regular gross written premiums accounted for 93.4% of first-year gross written premiums of long-term traditional insurance contracts. Moreover, the Company's Policy Persistency Rate<sup>2</sup>(14 months and 26 months) reached 92.50% and 86.05% respectively. Surrender Rate<sup>3</sup> fell to 4.38%, a 1.62 percentage point decrease from 2007.

<sup>1</sup> For the purpose of this announcement, refers to the People's Republic of China, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan region

<sup>2</sup> The Persistency Rate for long-term individual policy is an important operating performance indicator for life insurance companies. It measures the ratio of in-force policies in a pool of policies after a certain period of time. It refers to the proportion of policies that are still effective during the designated month in the pool of policies whose issue date was 14 or 26 months ago.

<sup>3</sup> According to PRC GAAP

**Prudent investment strategy, further optimizing investment portfolio**

The sharp fall in capital markets during 2008 due to global financial crisis resulted in substantial pressure on the Company's investment. The Company adopted the prudent investment strategy, optimized the investment portfolio according to the market situations by reducing the proportion of equity investment and increased the investment in fixed-income securities, and endeavored to increase the efficiency of investment. As at the end of the Reporting Period, the proportion of debt securities increased from 52.1% at the end of 2007 to 61.4%, the proportion of term deposits increased from 19.8% at the end of 2007 to 24.4%, and the proportion of equity securities decreased from 23.0% at the end of 2007 to 8.0%.

The Company correctly assessed the situation in the international financial markets, and effectively controlled its investment risk during the market turmoil. The Company did not invest in any foreign debts, stocks and derivatives directly related to the subprime crisis. Moreover, the Company's US\$ 260 million investment in the initial public offering of Visa International generated an investment return of close to 70%.

As at the end of the Reporting Period, the Group's investment assets reached RMB 937,403 million, an increase of 10.3% from the end of 2007. For the Reporting Period, the net investment yield<sup>4</sup> was 4.96% and the gross investment yield<sup>5</sup> was 3.40%.

**Steady development of distribution channels and sales teams**

In 2008, the exclusive individual agents channel continued to be the core distribution channel for the Company, supplemented by the group insurance and bancassurance channels. These three channels witnessed steady development in the year. While ensuring the Company's business growth, the exclusive agents channel focused on the sale of long-term regular premium products, the group insurance channel focused on developing the more profitable accident insurance business, and regular-premium business through the bancassurance channel also grew quite strongly.

As at the end of the Reporting Period, the Company had about 716,000 exclusive agents, an increase of 78,000 from the end of 2007. The proportion of exclusive agents holding valid licenses was 99.6%, an increase of 1.5 percentage points from the end of 2007. The Company optimized the structure of its direct sales team, which has over 12,600 representatives. The Company had nearly 94,000

<sup>4</sup> The net investment yield = net investment income / ((investment assets at the beginning of the period - securities sold under agreements to repurchase at the beginning of the period + investment assets at the end of the period - securities sold under agreements to repurchase at the end of the period) / 2)

<sup>5</sup> The gross investment yield = (net investment income + net realized gains/(losses) on financial assets + net fair value gains/(losses) on assets at fair value through income) / ((investment assets at the beginning of the period - securities sold under agreements to repurchase at the beginning of the period + investment assets at the end of the period - securities sold under agreements to repurchase at the end of the period) / 2)

intermediary bancassurance outlets, including commercial bank branches, postal savings outlets and cooperative savings institutions. In addition, the Company has over 26,000 client service managers for its bancassurance channel, an increase of 44% from the end of 2007, while the number of financial advisors in the bancassurance channel was over 11,000, an increase of 110% from the end of 2007.

#### **Accelerating management reform and innovation and enhancing risk control capability**

In 2008, the Company continued to deepen the reform on the modern enterprise management system. While optimizing the provincial centralization of business management, customer service, finance and information technology, the Company also initiated centralized management of the exclusive agents distribution channel at the provincial level. Five regional audit centers directly subordinate to the headquarter were established, and the internal audit system was rebuilt to strengthen the audit and supervision capabilities of the Company. In addition, the Company restructured the information technology function, and established its Beijing research and development centre and Shanghai database centre to form a professional research and development and operation support system.

In 2008, the Company further enhanced its internal risk control system. The Company established Sales Supervision Department and restructured its Internal Control and Compliance Department and Legal Affairs Department into Internal Control and Risk Management Department and Legal Affairs and Compliance Department through functional adjustment to clarify roles and responsibilities of risk management and properly allocate resources. The Company's risk control capability was further improved by strengthening its risk prospecting system, implementing special-purpose risk audits, stepping up efforts on investigation of improper sales cases, and implementing continuous auditing and effectiveness monitoring of the entire system.

#### **Corporate governance**

In 2008, the Company aimed at continually improving its corporate governance structure and system so that its shareholders' general meeting, Board of Directors, Supervisory Committee and senior management could fully perform their roles in decision-making, strategy execution, operating management and risk monitoring and control. During the year, the composition of the Board of Directors and its committees were readjusted with the election of new directors, namely, Mr. Miao Jianmin, Mr. Lin Dairen and Ms. Liu Yingqi. The Board of Directors believes that the three newly elected directors, with their rich experiences in the insurance industry, would make considerable contribution to the Company.

**Corporate Social Responsibility**

The Company has always been a caring member of the society and has proactively fulfilled its social responsibilities. In 2008, the Company, the Company's employees and exclusive agents, together with China Life Charity Foundation donated more than RMB 60 million after the snow storm in Southern China and the earthquake in Wenchuan, Sichuan. In addition, the Company donated accident insurance to 12 types of disaster relief personnel such as soldiers and policemen involved in these events. China Life Charity Foundation also announced to cover basic living expenses of earthquake orphans. For supporting the national aerospace development, the Company provided insurance for the astronauts and scientists of the Shenzhou VII spacecraft. The Company was also conferred with the Olympic Volunteers Advanced Organizational Units for the excellent performance of its Olympic Audience Call Center volunteer team. Further, the Company received the China Charity Award, the highest charity award from the government, for the Company's outstanding charitable contributions.

**Outlook**

2009 is expected to be a more difficult year full of uncertainties, both for international and domestic economies and financial markets. In accordance with the requirements of all-round, coordinated and sustainable development, the Company considers development as its top priority, and will strive to achieve stable growth of insurance business. Meanwhile, the Company will continue to enhance business profitability through significantly restructuring the mix of its insurance portfolio. It will also further carry on the reform on its modern operation and management system to drive the momentum for continuous growth. Moreover, the Company will continue to strengthen its risk management and control capabilities to ensure sound business development. The Company will strive to capture business opportunities as its own situation permits, while emphatically guarding against various risks. The Company is also committed to further growing its business, fulfilling its social responsibilities and further enhancing its corporate image and brand awareness to achieve the maximum efficiency, the best image and the highest returns and create greater value for shareholders.

## OPERATING RESULTS

## 1. GROSS WRITTEN PREMIUMS AND DEPOSITS

*For the year ended 31 December**RMB million*

	Gross written premiums			Deposits			Policy fees		
	2008	2007	Change (%)	2008	2007	Change (%)	2008	2007	Change (%)
<b>Individual life insurance</b>	<b>108,235</b>	91,420	18.4	<b>155,163</b>	72,069	115.3	<b>13,217</b>	7,064	87.1
First-year business	<b>32,099</b>	25,480	26.0	<b>144,396</b>	60,182	139.9			
Single	<b>1,828</b>	1,273	43.6	<b>139,281</b>	56,644	145.9			
First-year regular	<b>30,271</b>	24,207	25.1	<b>5,115</b>	3,538	44.6			
Renewal business	<b>76,136</b>	65,940	15.5	<b>10,767</b>	11,887	-9.4			
<b>Group life insurance</b>	<b>324</b>	876	-63.0	<b>21,106</b>	22,158	-4.7	<b>507</b>	627	-19.1
First-year business	<b>315</b>	854	-63.1	<b>21,106</b>	22,143	-4.7			
Single	<b>306</b>	705	-56.6	<b>21,106</b>	22,061	-4.3			
First-year regular	<b>9</b>	149	-94.0		82	-100.0			
Renewal business	<b>9</b>	22	-59.1		15	-100.0			
<b>Accident and health insurance</b>	<b>13,042</b>	11,899	9.6						
Short-term accident insurance	<b>6,153</b>	5,495	12.0						
Short-term health insurance	<b>6,889</b>	6,404	7.6						
<b>Total</b>	<b>121,601</b>	104,195	16.7	<b>176,269</b>	94,227	87.1	<b>13,724</b>	7,691	78.4

**2. ANALYSIS ON MAIN ITEMS OF INCOME STATEMENT**

Year ended 31 December 2008 compared with year ended 31 December 2007

<i>For the year ended 31 December</i>	<b>2008</b>	<b>2007</b>	<i>RMB million</i> <b>Change (%)</b>
<b>Net premiums earned and policy fees</b>	<b>134,650</b>	111,404	20.9
Individual life insurance business	<b>121,434</b>	98,470	23.3
Group life insurance business	<b>831</b>	1,503	-44.7
Accident and health insurance business (short-term products)	<b>12,385</b>	11,431	8.3
<b>Net investment income</b>	<b>44,050</b>	44,020	0.1
<b>Net realized gains/(losses) on financial assets</b>	<b>(6,516)</b>	15,385	-142.4
<b>Net fair value gains/(losses) on assets at fair value through income (held-for-trading)</b>	<b>(7,296)</b>	18,843	-138.7
Debt securities	<b>287</b>	366	-21.6
Equity securities	<b>(7,583)</b>	18,477	-141.0
<b>Other Income</b>	<b>1,923</b>	1,720	11.8
<b>Net Premiums Earned and Policy Fees</b>			

Net premiums earned and policy fees increased by 20.9% from 2007. This increase was primarily due to increases in net premiums earned from the individual life insurance and accident and health insurance businesses, and increase in policy fees from individual life insurance business.

Net premiums earned from participating products of long-term traditional insurance contracts were RMB60,305 million in 2008, an increase of 28.4% from RMB46,972 million in 2007. This increase was primarily due to our increased sales efforts for participating products. Of total net premiums earned in 2008, RMB2,134 million was attributable to single premium products and RMB106,425 million was attributable to regular premium products (including both first-year and renewal premiums).

***Individual Life Insurance Business***

Net premiums earned and policy fees from the individual life insurance business increased by 23.3% from 2007. This increase was primarily due to increases in the business volume of traditional and participating products of individual life insurance business.

***Group Life Insurance Business***

Net premiums earned and policy fees from the group life insurance business decreased by 44.7% from 2007. This decrease was primarily due to the significant impact on the supplemental corporate annuity market from the corporate annuity policy put forward by the government. Under such circumstance, the Company changed our business model and actively readjusted our annuity business strategy.

***Accident and Health Insurance Business***

Net premiums earned from the accident and health insurance business (both of which comprise short-term products) increased by 8.3% from 2007. This increase was primarily due to our increased sales efforts for accident and health insurance business.

**Net Investment Income**

Net investment income increased by 0.1% from 2007. This increase was primarily due to the increase of fixed-income investment, which offset in part the decrease in investment yield.

The net investment yield for 2008 was 4.96%, a 0.8 percentage point decrease from 2007. This decrease was primarily due to the decrease of dividends from equity investments.

**Net Realized Gains on Financial Assets**

Net realized gains on financial assets decreased by 142.4% from 2007. This decrease was primarily due to the sharp fall of capital market.

**Net Fair Value Gains on Assets at Fair Value through Income (Held-for-Trading)**

Net fair value gains on assets at fair value through income (held-for-trading) decreased by 138.7% from 2007.

In particular, net fair value gains on assets at fair value through income (held-for-trading) on debt securities decreased by 21.6% from 2007. Net fair value gains on assets at fair value through income (held-for-trading) on equity securities decreased by 141% from 2007.

This decrease was primarily due to the sharp fall of capital market.

**Other Income**

Other income increased by 11.8% from 2007. This increase was primarily due to the increase in the fee income from relevant agency business.

<i>For the year ended 31 December</i>	<b>2008</b>	<b>2007</b>	<i>RMB million Change (%)</i>
<b>Insurance benefits and claims</b>	<b>(89,823)</b>	(76,288)	17.7
Individual life insurance business	<b>(82,057)</b>	(68,990)	18.9
Group life insurance business	<b>(213)</b>	(955)	-77.7
Accident and health insurance business (short-term products)	<b>(7,553)</b>	(6,343)	19.1
<b>Interest credited to investment contracts</b>	<b>(1,358)</b>	(1,138)	19.3
<b>Increase in deferred Income</b>	<b>(21,139)</b>	(9,859)	114.4
<b>Policyholder dividends resulting from participation in profits</b>	<b>(2,492)</b>	(29,251)	-91.5
<b>Amortization of deferred policy acquisition costs</b>	<b>(11,784)</b>	(13,461)	-12.5
<b>Underwriting and policy acquisition costs</b>	<b>(3,394)</b>	(2,725)	24.6
<b>Administrative expenses</b>	<b>(12,110)</b>	(11,798)	2.6
<b>Other operating expenses</b>	<b>(1,891)</b>	(1,651)	14.5
<b>Insurance Benefits and Claims</b>			

Insurance benefits and claims, net of amounts ceded through reinsurance, increased by 17.7% from 2007. This increase was primarily due to the increase in business volume and the accumulation of liabilities. Life insurance death and other benefits increased by 2% to RMB17,777 million in 2008 from RMB17,430 million in 2007. This increase was primarily due to the increase in business volume and the accumulation of liabilities. Life insurance death and other benefits as a percentage of gross written premiums and policy fees were 13.1% and 15.6% in 2008 and 2007 respectively. Interest credited to long-term investment-type insurance contracts increased by 28.3% to RMB9,212 million in 2008 from RMB7,181 million in 2007. This increase primarily reflected an increase in the total policyholder account balance.



Insurance benefits and claims, net of amounts ceded through reinsurance, attributable to participating products increased by 25.2% to RMB47,531 million in 2008 from RMB37,962 million in 2007. Of these insurance benefits and claims attributable to participating products, life insurance death and other benefits decreased by 4.7% to RMB8,813 million in 2008 from RMB 9,248 million in 2007; the increase in liability of long-term traditional insurance contracts increased by 37.8% to RMB31,060 million in 2008 from RMB22,548 million in 2007; and the interest credited to long-term investment-type insurance contracts increased by 24.2% to RMB7,658 million in 2008 from RMB6,166 million in 2007.

#### ***Individual Life Insurance Business***

Insurance benefits and claims for the individual life insurance business increased by 18.9% from 2007. This increase was primarily due to the increase in business volume and the accumulation of liabilities.

Of these insurance benefits and claims, life insurance death and other benefits increased by 2.7% to RMB16,915 million in 2008 from RMB16,463 million in 2007. This increase was primarily due to the increase in the number of policies in force, the accumulation of liabilities and the number of insurance policies reaching maturity. The increase in liability of long-term traditional insurance contracts increased by 23.3% to RMB55,957 million in 2008 from RMB45,370 million in 2007. The increase in liability of long-term traditional insurance contracts was primarily due to the increase in business volume and the accumulation of liabilities.

#### ***Group Life Insurance Business***

Insurance benefits and claims for the group life insurance business decreased by 77.7% from 2007. This decrease was primarily due to a decrease in business volume of group life insurance business.

Of these insurance benefits and claims, life insurance death and other benefits decreased by 10.9% to RMB862 million in 2008 from RMB967 million in 2007 and the increment in long-term traditional insurance contracts liabilities decreased by RMB640 million to RMB(676) million in 2008 from RMB (36) million in 2007.

#### ***Accident and Health Insurance Business***

Insurance benefits and claims for the accident and health insurance business (both of which comprise short-term products) increased by 19.1% from 2007. This increase was primarily due to an increase in business volume.

**Interest Credited to Investment Contracts**

Interest credited to investment contracts increased by 19.3% from 2007. This increase primarily reflected an increase in the total investment contracts account balance. Interest credited to participating investment contracts increased by 20.2% to RMB1,309 million in 2008 from RMB1,089 million in 2007.

**Increase in Deferred Income**

Increase in deferred income includes the deferred profit liability arising from long-term traditional insurance contracts and the unearned revenue liability arising from long-term investment-type insurance contracts and investment contracts. The increase in deferred income increased by 114.4% from 2007. This increase was primarily due to an increase in business volume.

**Policyholder Dividends Resulting from Participation in Profits**

Policyholder dividends resulting from participation in profits decreased by 91.5% from 20