# New China Life Insurance Company Ltd.

# 新華人壽保險股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1336

## Interim Report 2017

NCI 新华保险

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# IMPORTANT INFORMATION

1. The board of directors, the board of supervisors and the directors, supervisors, and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of this report, and that there is no false representation, misleading statement or material omission in this report, and are legally liable for this report jointly and severally.

2. The 2017 Interim Report of the Company was considered and approved at the fifteenth meeting of the sixth session of the board of directors of the Company on 29 August 2017, which 13 directors were required to attend and 12 of them attended in person. Director DACEY John Robert authorized Chairman WAN Feng to attend the meeting and vote on behalf of him.

3. The 2017 condensed consolidated interim financial information of the Company is unaudited.

4. Mr. WAN Feng, the Chairman of the Company, Mr. GONG Xingfeng, the Chief Actuary of the Company and Mr. ZHANG Tao, the officer in charge of the Accounting Department of the Company warrant the truthfulness, accuracy and completeness of the condensed consolidated interim financial information in the 2017 Interim Report.

5. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warrant or undertaking upon its future performance. You are advised to exercise caution.

# CONTENTS

# DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

| | |
|---|---|
| the Company, NCI | New China Life Insurance Company Ltd. |
| Asset Management Company | New China Asset Management Co., Ltd., a subsidiary of the Company |
| Asset Management Company (Hong Kong) | New China Asset Management (Hong Kong) Limited, a subsidiary of the Asset Management Company |
| New China Health | New China Life Excellent Health Investment Management Co., Ltd. |
| Huijin | Central Huijin Investment Ltd. |
| Baowu Group | China Baowu Steel Group Corporation Limited |
| NSSF | National Council for Social Security Fund of the PRC |
| CIRC | China Insurance Regulatory Commission |
| CSRC | China Securities Regulatory Commission |
| SSE | Shanghai Stock Exchange |
| Hong Kong Stock Exchange or HKSE | The Stock Exchange of Hong Kong Limited |
| RMB | Renminbi |
| PRC, China | People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan |
| Company Law | Company Law of the PRC |
| Insurance Law | Insurance Law of the PRC |
| Securities Law | Securities Law of the PRC |
| PRC GAAP | China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and its application guide, interpretation and other related regulations issued thereafter |
| IFRS | International Financial Reporting Standards as promulgated by the International Accounting Standards Board |
| Articles of Association | The articles of association of New China Life Insurance Company Ltd., approved by the Annual Shareholders' General Meeting of 2015 of the Company on 27 June 2016, and became effective as approved by the CIRC on 24 August 2016 |
| Hong Kong Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Model Code for Securities Transactions | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules |
| Corporate Governance Code | Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules |
| SFO | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

# SECTION 2
# CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司
Abbreviation in Chinese: 新華保險

Legal Name in English: NEW CHINA LIFE INSURANCE COMPANY LTD.
Abbreviation in English: NCI

Legal Representative: WAN Feng

Board Secretary/Joint Company Secretary: GONG Xingfeng
Securities Representative: XU Xiu
Tel: 86-10-85213233
Fax: 86-10-85213219
Email: ir@newchinalife.com
Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Joint Company Secretary: MOK Ming Wai
Tel: 852-35898678
Fax: 852-35898555
Email: mandy.mok@tmf-group.com
Address: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Registered Office: No. 1, East Hunan Road, Yanqing District, Beijing, PRC
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Postal Code: 100022
Place of Business in Hong Kong: 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website: http://www.newchinalife.com
Email: ir@newchinalife.com
Customer Service and Complaint Tel: 95567

Newspapers for Information Disclosure (A Share): China Securities Journal, Shanghai Securities News
Website for publishing annual reports (A Share): http://www.sse.com.cn
Website for publishing annual reports (H Share): http://www.hkexnews.hk
Place where copies of interim reports are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange
Stock Name for A Share: 新華保險
Stock Code for A Share: 601336
A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, PRC

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 1336
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Domestic Auditor: Ernst & Young Hua Ming LLP
Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, PRC

International Auditor: Ernst & Young
Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer LLP
Address: 11th Floor, Two Exchange Square, Central, Hong Kong

# SECTION 3
# SUMMARY OF ACCOUNTING DATA AND OPERATING DATA

## I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE REPORTING PERIOD

Unit: RMB in millions

| Key accounting data | For the six months ended 30 June 2017 | 2016 | Increase/ decrease over the corresponding period of last year |
|---|---|---|---|
| Total revenues | **76,263** | 87,050 | -12.4% |
| Gross written premiums and policy fees | **61,273** | 71,081 | -13.8% |
| Net profit before income tax | **4,879** | 4,232 | 15.3% |
| Net profit attributable to shareholders of the Company | **3,237** | 3,333 | -2.9% |
| Net cash flows from operating activities | **(4,207)** | 8,843 | N/A |

| | 30 June 2017 | 31 December 2016 | Increase/decrease as compared to the end of last year |
|---|---|---|---|
| Total assets | **705,320** | 699,181 | 0.9% |
| Equity attributable to shareholders of the Company | **61,722** | 59,118 | 4.4% |

| Key financial indicators | For the six months ended 30 June 2017 | 2016 | Increase/ decrease over the corresponding period of last year |
|---|---|---|---|
| Basic weighted average earnings per share attributable to shareholders of the Company (RMB) | **1.04** | 1.07 | -2.8% |
| Diluted weighted average earnings per share attributable to shareholders of the Company (RMB) | **1.04** | 1.07 | -2.8% |
| Weighted average return on equity attributable to shareholders of the Company (%) | **5.29%** | 5.73% | decrease by 0.44 percentage points |
| Weighted average net cash flows from operating activities per share (RMB) | **(1.35)** | 2.83 | N/A |

| | 30 June 2017 | 31 December 2016 | Increase/decrease as compared to the end of last year |
|---|---|---|---|
| Net assets per share attributable to shareholders of the Company (RMB/share) | **19.78** | 18.95 | 4.4% |

## II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Unit: RMB in millions

| Indicator | For the six month ended 30 June 2017/ as of 30 June 2017 | For the six month ended 30 June 2016/ as of 31 December 2016 | Change |
|---|---|---|---|
| Investment assets | **684,592** | 679,794 | 0.7% |
| Annualized total investment yield [1] | **4.9%** | 5.3% | decrease by 0.4 percentage points |
| Gross written premiums and policy fees | **61,273** | 71,081 | -13.8% |
| Growth rate of gross written premiums and policy fees | **-13.8%** | –2.3% | decrease by 11.5 percentage points |
| Benefits, claims and expenses | **70,543** | 82,209 | -14.2% |

Note:

1. Annualized total investment yield = (Total investment income- interest expense of financial asserts sold under agreements to repurchase)/(average monthly investment assets – average monthly financial assets sold under agreements to repurchase – average monthly receivable interests)*2.

## III. THE DISCREPANCY BETWEEN THE PRC GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

There is no difference between the consolidated net profit of the Company for the six months ended 30 June 2017 and the consolidated equity of the Company as of 30 June 2017 as stated in the condensed consolidated interim financial information prepared in accordance with the IFRS and the consolidated financial statements prepared in accordance with the PRC GAAP.

# SECTION 4
# MANAGEMENT DISCUSSION AND ANALYSIS

As a major life insurance company in the PRC, the Company is primarily engaged in the provision of life insurance products and services to individuals and institutions through its national branch network. Meanwhile, the Company also manages and utilizes its insurance funds through its subsidiaries which are Asset Management Company and Asset Management Company (Hong Kong).

Financial data and indicators in this report are prepared in accordance with IFRS. Unless otherwise specified, the management discussion and analysis in this section is based on the unaudited condensed consolidated financial data of the Company, and is presented in RMB.

## I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| Gross written premiums and policy fees | **61,273** | 71,081 | -13.8% |
| First year premiums | **19,101** | 35,663 | -46.4% |
| First year regular premiums | **16,654** | 13,587 | 22.6% |
| Regular premiums with payment periods of ten years or more | **10,827** | 7,680 | 41.0% |
| Total investment income(1) | **16,011** | 16,293 | -1.7% |
| Net profit attributable to shareholders of the Company | **3,237** | 3,333 | -2.9% |
| The value of first half year's new business(2) | **7,153** | 5,553 | 28.8% |
| Market share(3) | **3.4%** | 5.0% | decreased by 1.6 percentage points |
| Persistency ratio | | | |
| Individual life insurance business 13-month persistency ratio(4) | **89.2%** | 87.9% | increased by 1.3 percentage points |
| Individual life insurance business 25-month persistency ratio(5) | **82.3%** | 78.4% | increased by 3.9 percentage points |

| | **As at 30 June 2017** | As at 31 December 2016 | Change |
|---|---|---|---|
| Total assets | **705,320** | 699,181 | 0.9% |
| Net assets | **61,729** | 59,125 | 4.4% |
| Investment assets | **684,592** | 679,794 | 0.7% |
| Equity attributable to shareholders of the Company | **61,722** | 59,118 | 4.4% |
| Embedded value | **142,089** | 129,450 | 9.8% |
| Number of customers *(in thousands)* | | | |
| of which: individual customers | **29,098** | 28,106 | 3.5% |
| of which: institutional customers | **75** | 72 | 4.2% |

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets + dividend income from equity financial assets + realized gains/(losses)+unrealized gains/(losses) + impairment losses on financial assets + share of results of associates and joint ventures under equity method +effect of the introduction of strategic investors to New China Health.

2. The value of first half year's new business for the first half year of 2016 was restated for adopting the China Association of Actuaries ("CAA") Standards of Actuarial Practice: Appraisal of Embedded Value issued by the CAA in November 2016 and the assumptions made on 31 December 2016. Please refer to the "Embedded Value" in this announcement for details.

3. Market share: represents the data published by the CIRC.

4. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under regular premium life insurance policies becoming in-force during the issuance.

5. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under regular premium life insurance policies becoming in-force during the issuance.

## II. BUSINESS ANALYSIS

### (I) Life insurance business

Since 2017, guided by the principle of "making steady progress with further transformation and development", NCI has striven to optimize its business structure by continuously focusing on regular premium business. The operating performance for the first half of the year is characterized as follows:

Firstly, the core business grew significantly. In 2017, the Company further adjusted the product structure by cancelling single premium business in the annual business plan while highlighting the development of regular premium business. The Company's core business achieved sound growth. The first year regular premiums totalled RMB16,654 million, representing a year-on-year increase of 22.6%, of which regular premiums with payment periods of ten years or more amounted to RMB10,827 million, representing a year-on-year increase of 41.0%.

Secondly, the business value increased steadily. For the first half of the year, the value of new business amounted to RMB7,153 million, representing a year-on-year increase of 28.8%. And the embedded value amounted to RMB142,089 million, representing a year-on-year increase of 9.8%.

Thirdly, the business structure was optimized continuously. First year regular premiums accounted for 87.2% of first year premiums, representing an increase of 49.1 percentage points year on year; regular premiums with payment periods of ten years or more hit a record high in recent years, accounting for 56.7% of first year premiums, representing an increase of 35.2 percentage points year on year; renewal premiums reached RMB42,138 million, increased by 19.1% year on year, accounting for 68.8% of gross written premiums, representing an increase of 19.0 percentage points year on year. The first year premiums of health insurance amounted to RMB6,951 million, accounted for 36.4% of first year premiums, representing an increase of 21.4 percentage points year on year.

Fourthly, the business quality was improved. In the first half of 2017, the 13-month persistency ratio and 25-month persistency ratio of individual life insurance business of the Company were 89.2% and 82.3%, representing an increase of 1.3 percentage points and 3.9 percentage points as compared to the same period of last year, respectively. The surrender decreased by 17.5% year on year to RMB22,119 million with the surrender rate decreasing by 0.8 percentage points to 3.7%.

1. *Analysis by distribution channels*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| **Individual insurance channel** | **48,265** | 39,955 | 20.8% |
| First year premiums | **13,711** | 11,913 | 15.1% |
| First year regular premiums | **12,537** | 10,196 | 23.0% |
| Regular premiums with payment periods of ten years or more | **10,678** | 7,578 | 40.9% |
| Single premiums | **1,174** | 1,717 | -31.6% |
| Renewal premiums | **34,554** | 28,042 | 23.2% |
| **Bancassurance channel** | **11,706** | 30,220 | -61.3% |
| First year premiums | **4,146** | 22,915 | -81.9% |
| First year regular premiums | **4,114** | 3,389 | 21.4% |
| Regular premiums with payment periods of ten years or more | **148** | 102 | 45.1% |
| Single premiums | **31** | 19,526 | -99.8% |
| Renewal premiums | **7,561** | 7,305 | 3.5% |
| **Group insurance** | **1,268** | 860 | 47.4% |
| **Total** | **61,239** | 71,035 | -13.8% |

Note: Numbers may not be additive due to rounding.

(1) *Individual life insurance business*

① Individual insurance channel

The GWP from the individual life insurance channel was RMB48,265 million, representing a year-on-year increase of 20.8%. The first year premiums amounted to RMB13,711 million, representing a year-on-year growth of 15.1%, of which the first year regular premiums amounted to RMB12,537 million, representing a year-on-year increase of 23.0%, the regular premiums with payment periods of ten years or more amounted to RMB10,678 million, representing a year-on-year increase of 40.9%, and the renewal premiums amounted to RMB34,554 million, representing a year-on-year increase of 23.2%.

The Company actively promoted the integration of the individual insurance agent team and the service and business development team in terms of the individual insurance channel. Supported by products, the Company improved the performing agents platform, increased team productivity. As at 30 June 2017, the number of individual insurance agents amounted to 333,000, representing a year-on-year increase of 52,000 and which was stable as compared to the end of last year; the monthly average performing agents were 167,000, representing a year-on-year increase of 7.3%; the monthly average performance rate was 53.1%, representing a year-on-year decrease of 3.5 percentage points, and the monthly comprehensive productivity per capita was RMB7,032, representing a year-on-year increase of 2.8%.

② Bancassurance channel

In bancassurance channel, the Company proactively reduced the size of short and medium term insurance products, cancelled the assessment of the key performance indicator of single premium business in the annual plan, focused on regular premiums business while prioritizing annuity products. The GWP from the bancassurance channel was RMB11,706 million, representing a year-on-year decrease of 61.3%. The first year premiums amounted to RMB4,146 million, representing a year-on-year decrease of 81.9%, while the first year regular premiums amounted to RMB4,114 million, representing a year-on-year increase of 21.4%. The renewal premiums reversed the negative growth and amounted to RMB7,561 million, representing a year-on-year increase of 3.5%.

(2) *Group insurance business*

The GWP from the group insurance business of the Company was RMB1,268 million, representing a year-on-year increase of 47.4%.

2. *Analysis by types of insurance products*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| **GWP** | **61,239** | 71,035 | -13.8% |
| | | | |
| **Traditional insurance** | **14,681** | 30,080 | -51.2% |
| First year premiums | **5,069** | 24,295 | -79.1% |
| Renewal premiums | **9,612** | 5,785 | 66.2% |
| **Participating insurance**[(1)] | **29,162** | 28,670 | 1.7% |
| First year premiums | **6,372** | 5,322 | 19.7% |
| Renewal premiums | **22,790** | 23,348 | -2.4% |
| **Universal insurance** | **19** | 19 | 0.0% |
| First year premiums[(2)] | **–** | – | – |
| Renewal premiums | **19** | 19 | 0.0% |
| **Unit-linked insurance**[(2)] | **–** | – | – |
| First year premiums[(2)] | **–** | – | – |
| Renewal premiums[(2)] | **–** | – | – |
| **Health insurance** | **16,602** | 11,534 | 43.9% |
| First year premiums | **6,951** | 5,361 | 29.7% |
| Renewal premiums | **9,651** | 6,173 | 56.3% |
| **Accident insurance** | **775** | 732 | 5.9% |
| First year premiums | **709** | 685 | 3.5% |
| Renewal premiums | **66** | 47 | 40.4% |

Notes:

1. Participating health insurance is included in the participating insurance.

2. The amount of the item was less than RMB500,000.

3. Numbers may not be additive due to rounding.

During the first half of 2017, the Company accelerated its transformation and further promoted the sales of protection-oriented products. The premiums from health insurance, traditional insurance, participating insurance and accident insurance amounted to RMB16,602 million, RMB14,681 million, RMB29,162 million and RMB775 million, respectively, representing an increase of 43.9%, a decrease of 51.2%, and an increase of 1.7% and 5.9% as compared to the same period of last year, respectively.

3. *Analysis by branches*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| **GWP** | **61,239** | 71,035 | -13.8% |
| Shandong Branch | **5,653** | 5,757 | -1.8% |
| Beijing Branch | **5,284** | 6,306 | -16.2% |
| Henan Branch | **4,804** | 5,125 | -6.3% |
| Guangdong Branch | **4,479** | 5,959 | -24.8% |
| Hubei Branch | **3,087** | 3,620 | -14.7% |
| Zhejiang Branch | **2,858** | 2,703 | 5.7% |
| Shaanxi Branch | **2,840** | 2,975 | -4.5% |
| Jiangsu Branch | **2,685** | 3,293 | -18.5% |
| Inner Mongolia Branch | **2,639** | 2,432 | 8.5% |
| Sichuan Branch | **2,234** | 3,454 | -35.3% |
| Other Branches | **24,676** | 29,411 | -16.1% |

In the first half of 2017, approximately 59.7% of the GWP of the Company were derived from the branches in ten economically developed regions or densely populated areas such as Shandong, Beijing and Henan.

## (II) Asset management business

In terms of the asset management business, the Company adhered to the basic principle of prudence and soundness. With asset-liability matching management as the basis, the Company also paid attention to investment research and risk control, took into comprehensive account the prevailing and future investment environments, diversified the asset allocation, so as to obtain stable and sustainable returns on the investment portfolio.

In respect of equity investment, the Company adhered to the concept of value-oriented and fundamental investment. As for stock investment, the Company followed the market trend, emphasized on individual stock selection, managed return drawback effectively so as to achieve relatively good investment returns. As for fund investment, the Company seized the opportunities arising from investment style and sector change and increased the Southbound equity allocation.

In respect of bond investment, the Company optimized the investment portfolio, focused on interest rate bonds with eligible returns, and moderately increased the allocation of medium- and long-term senior credit bonds. Meanwhile, the Company strengthened the follow-up and risk identification processes relating to the credit bonds in the investment portfolio and scrutinized the qualification of newly-added credit bonds. Therefore, the Company effectively avoided significant fluctuation in the credit instruments market brought by credit risk events in the first half of the year, thereby laying a foundation for securing long-term investment income.

In respect of non-standard assets investment, the Company invested largely in the relatively long-term wealth management products issued by commercial banks with eligible risk returns. By the end of June 2017, the Company's investment in non-standard assets amounted to 230,702 million, accounting for 33.7% of the total investment assets and representing an increase of 0.5 percentage points as compared to the end of last year. The non-standard assets invested by the Company generally possessed high credit rating, among which AAA rating accounted for 94.95%(excluding wealth management products issued by commercial banks and non-standard equity investments which were not subject to external rating).

1. *Investment portfolio*

Unit: RMB in millions

| | **As at 30 June 2017** | As at 31 December 2016 | **Change** |
|---|---|---|---|
| **Investment assets** [1] | **684,592** | 679,794 | 0.7% |
| | | | |
| **Classified by investment type** | | | |
| Term deposits [2] | **47,636** | 79,845 | -40.3% |
| Debt financial assets | **465,095** | 436,810 | 6.5% |
| – Bonds | **263,548** | 242,647 | 8.6% |
| – Trust Products | **59,698** | 62,534 | -4.5% |
| – Debt Plan [3] | **35,259** | 32,835 | 7.4% |
| – Project Asset Support Plan | **20,000** | 20,000 | 0.0% |
| – Others [4] | **86,590** | 78,794 | 9.9% |
| Equity financial assets | **115,072** | 112,268 | 2.5% |
| – Funds | **47,150** | 47,029 | 0.3% |
| – Stocks [5] | **30,385** | 29,404 | 3.3% |
| – Investments in associates and joint ventures | **4,748** | 4,575 | 3.8% |
| – Others [6] | **32,789** | 31,260 | 4.9% |
| Cash and cash equivalents [2] | **15,579** | 14,230 | 9.5% |
| Other investments [7] | **41,210** | 36,641 | 12.5% |
| | | | |
| **Classified by investment purpose** | | | |
| Financial assets at fair value through profit or loss | **5,502** | 11,834 | -53.5% |
| Available-for-sale financial assets | **307,412** | 283,308 | 8.5% |
| Held-to-maturity investment | **205,846** | 195,126 | 5.5% |
| Loans and other receivables [8] | **161,084** | 184,951 | -12.9% |
| Investments in associates and joint ventures | **4,748** | 4,575 | 3.8% |

Notes:

1. Relevant investment assets comprise of corresponding investment assets in individual account assets.

2. Cash and cash equivalents include term deposits with maturity of three months or less, while term deposits exclude those with maturity of three months or less.

3. Debt plan mainly consists of infrastructure and real estate funding projects.

4. Others include debt asset management products, perpetual bonds, interbank deposits, and wealth management products.

5. Stocks include common stocks and preference shares.

6. Others include equity asset management products, private equity, equity plans and unlisted equity securities.

7. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell, and dividends receivables and interests receivables etc.

8. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, dividends receivables, interest receivables, loans and receivables, etc.

As of the end of the reporting period, the scale of investment assets of the Company amounted to RMB684,592 million, representing an increase of 0.7% as compared to the end of last year, which was mainly attributable to the net cash inflows from the Company's insurance business.

As of the end of the reporting period, term deposits amounted to RMB47,636 million, accounting for 7.0% of total investment assets and representing a decrease of 4.7 percentage points as compared to the end of last year, which was mainly due to the decrease in the allocation of term deposits upon the maturity of certain term deposits.

As of the end of the reporting period, debt financial assets amounted to RMB465,095 million, accounting for 67.9% of total investment assets and representing an increase of 3.6 percentage points as compared to the end of last year, which was mainly due to the increase in the allocation of financial bonds and government bonds among debt financial assets.

As of the end of the reporting period, equity financial assets amounted to RMB115,072 million, accounting for 16.8% of total investment assets, representing an increase of 0.3 percentage points as compared to the end of last year, which was mainly due to the increase in the allocation of private equity and the change of fair value of stocks investment.

As of the end of the reporting period, cash and cash equivalents accounted for 2.3% of total investment assets, representing an increase of 0.2 percentage points as compared to the end of last year, which was mainly due to the allocation of investment assets and the need for liquidity management.

As of the end of the reporting period, other investment assets accounted for 6.0% of total investment assets, representing an increase of 0.6 percentage points as compared to the end of last year, which was mainly due to the increase in allocation of financial assets purchased under agreements to resell for the purpose of investment asset allocation and liquidity management.

In terms of investment purposes, as of the end of the reporting period, the percentage of available-for-sale financial assets increased by 3.2 percentage points as compared to the end of last year, mainly due to the increase in the allocation of financial bonds, wealth management products and interbank deposits.

2. *Investment income*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| Interest income from cash and cash equivalents | **61** | 38 | 60.5% |
| Interest income from term deposits | **1,565** | 3,087 | -49.3% |
| Interest income from debt financial assets | **11,119** | 9,587 | 16.0% |
| Dividend income from equity financial assets | **2,510** | 2,839 | -11.6% |
| Interest income from other investment assets (1) | **627** | 510 | 22.9% |
| Net investment income(2) | **15,882** | 16,061 | -1.1% |
| Realized gains/(losses) on investment assets | **589** | 345 | 70.7% |
| Unrealized gains/(losses) | **138** | (175) | N/A |
| Impairment losses on investment assets | **(716)** | (458) | 56.3% |
| Effect of the introduction of strategic investors to New China Health | **–** | 481 | N/A |
| Share of results of associates and joint ventures under equity method | **118** | 39 | 202.6% |
| Total investment income (3) | **16,011** | 16,293 | -1.7% |
| Annualized net investment yield (%)(4) | **4.9%** | 5.2% | Decreased by 0.3 percentage points |
| Annualized total investment yield (%)(4) | **4.9%** | 5.3% | Decreased by 0.4 percentage points |

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.

2. Net investment income includes interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets and dividend income from equity financial assets.

3. Total investment income = interest income from cash and cash equivalents, term deposits, debt financial assets and other investment assets + dividend income from equity financial assets + realized gains/(losses)+unrealized gains/(losses) + impairment losses on financial assets + share of results of associates and joint ventures under equity method +effect of the introduction of strategic investors to New China Health.

4. Annualized investment yield = (investment income – interest expense of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly financial assets sold under agreements to repurchase – monthly interest receivables) *2.

The Company achieved a total investment income of RMB16,011 million during the reporting period, representing a decrease of 1.7% as compared to the same period of last year. The annualized total investment yield was 4.9%, representing a decrease of 0.4 percentage points as compared to the same period of last year, which was mainly due to the decrease of net investment income.

The Company achieved a net investment income of RMB15,882 million during the reporting period, representing a decrease of 1.1% as compared to the same period of last year. The annualized net investment yield was 4.9%, representing a decrease of 0.3 percentage points as compared to the same period of last year.

The realized gains, unrealized gains and impairment losses on investment assets amounted to a gain of RMB11 million in aggregate, a turn from a loss of RMB288 million in aggregate for the same period of last year. This was mainly because of an increase in the Company's realized gains on investment assets as compared to the same period of last year, as well as the unrealized gains and losses turned from a loss to a gain, due to the upturn in the fluctuated capital market.

3. *External Equity Securities*

(1) *Securities investment*

| No. | Type of securities | Security code | Abbreviated security name | Initial Investment amount (RMB in millions) | Number of Securities held (in millions) | Carrying amount at the end of the period (RMB in millions) | As a percentage of total investments in securities at the end of the period (%) | Profits/ losses for the reporting period (RMB in millions) |
|---|---|---|---|---|---|---|---|---|
| 1 | Convertible bond | 132007 | Phoenix Publishing and Media 16 EB (16 鳳凰 EB) | 78.28 | 0.78 | 73.09 | 17.16 | -7.00 |
| 2 | Stock | 000423 | Dong-E-E-Jiao Co.,Ltd. | 53.26 | 0.84 | 60.09 | 14.11 | 6.16 |
| 3 | Convertible bond | 132005 | SSAOCORP 15 EB (15 國資 EB) | 17.47 | 0.17 | 19.27 | 4.52 | -0.26 |
| 4 | Stock | 600153 | Xiamen C&D Inc. | 15.05 | 1.30 | 16.81 | 3.95 | 1.94 |
| 5 | Stock | 300156 | Shenwu Environmental Technology Co., Ltd. | 5.05 | 0.47 | 15.26 | 3.58 | 3.57 |
| 6 | Stock | 600420 | Shanghai Shyndec Pharmaceutical Co., Ltd. | 14.78 | 0.94 | 14.70 | 3.45 | -0.07 |
| 7 | Stock | 002223 | Yuwell-Jiangsu Yuyue medical equipment & supply Co., Ltd. | 13.80 | 0.60 | 14.21 | 3.34 | 0.41 |
| 8 | Stock | 300332 | Top Resource Conservation Engineering (China) Co., Ltd. | 13.73 | 1.40 | 14.18 | 3.33 | 0.96 |
| 9 | Stock | 600271 | Aisino Corporation | 12.84 | 0.65 | 13.42 | 3.15 | 0.53 |
| 10 | Stock | 002081 | Gold Mantis Construction Decoration Co.,Ltd. | 12.22 | 1.14 | 12.52 | 2.94 | 0.94 |
| Investments in other securities held at the end of the reporting period | | | | 170.15 | N/A | 172.33 | 40.47 | 86.83 |
| Profits/losses of investments in securities sold during the reporting period | | | | N/A | N/A | N/A | N/A | 146.68 |
| **Total** | | | | 406.63 | N/A | 425.88 | 100.00 | 240.69 |

Notes:

1. Securities investments stated in this table represent investments such as stock, options and convertible bonds, etc., ordered in accordance with the carrying amount at the end of the period. Among this, investments in stock and convertible bonds only include the accounting parts of financial assets calculated at fair value and recorded as unrealized gains/(losses) of the reporting period.

2. Investments in other securities represent investments in other securities apart from the top ten securities.

3. Profits/losses during the reporting period in this table are comprised of interest income, dividend income, realized gains/(losses) and unrealized gains/(losses).

*(2) Shareholding in other listed companies*

| Security code | Abbreviated security name | Initial investment amount (RMB in millions) | As a percentage of equity interests in that company at the beginning of the period (%) | As a percentage of equity interests in that company at the end of the period (%) | Carrying amount at the end of the period (RMB in millions) | Profits/losses during the reporting period (RMB in millions) | Changes of Equity Ownership during the reporting period (RMB in millions) | Accounting classification | Source of securities |
|---|---|---|---|---|---|---|---|---|---|
| 02611 | GTJA | 2,787.03 | 0.00 | 2.25 | 2,779.21 | – | -7.82 | Available for sale | Purchase |
| 002415 | HIKVISION | 400.56 | 0.51 | 0.44 | 1,297.50 | 382.78 | 554.29 | Available for sale | Purchase |
| 600739 | Liaoning Chengda | 1,182.61 | 2.40 | 4.18 | 1,152.12 | – | 10.22 | Available for sale | Purchase |
| 600643 | Aj Group | 790.85 | 0.00 | 4.12 | 931.95 | 0.04 | 145.88 | Available for sale | Purchase |
| 600703 | Sanan-e | 574.86 | 0.48 | 1.10 | 887.50 | 18.06 | 264.86 | Available for sale | Purchase |
| 002007 | Hualan Bio | 529.71 | 1.58 | 2.15 | 729.54 | 41.64 | -14.78 | Available for sale | Purchase |
| 600266 | BUCG | 667.74 | 1.55 | 3.08 | 702.33 | 43.20 | 23.95 | Available for sale | Purchase |
| 600196 | Fosun Pharma | 426.04 | 1.07 | 0.90 | 697.36 | – | 176.65 | Available for sale | Purchase |
| 600900 | CYPC | 554.23 | 0.42 | 0.21 | 695.08 | 119.28 | 103.13 | Available for sale | Purchase |
| 600153 | Xiamen C&D | 393.11 | 1.58 | 1.51 | 552.88 | 3.65 | 93.19 | Available for sale | Purchase |
| Other securities held at the end of the reporting period | | 19,424.48 | N/A | N/A | 19,625.97 | 213.86 | 1,082.50 | | |
| **Total** | | 27,731.22 | N/A | N/A | 30,051.44 | 822.51 | 2,432.07 | | |

Notes:

1. The table presents the shareholding in other listed companies by the Company as classified under available-for-sale securities ordered in accordance with the carrying amount at the end of the reporting period.

2. Profits/losses during the reporting period in this table are comprised of dividend income, realized gains/(losses) and impairment losses on equity securities.

*(3) Shareholdings in unlisted financial enterprises*

| Security name | Initial investment amount (RMB in millions) | As a percentage of equity interest in that company at the beginning of the reporting period (%) | As a percentage of equity interests in that company at the end of the reporting period (%) | Carrying amount at the end of the reporting period (RMB in millions) | Profits/losses during the reporting period (RMB in millions) | Changes of Equity Ownership during the reporting period (RMB in millions) | Accounting classification | Source of securities |
|---|---|---|---|---|---|---|---|---|
| China Insurance Investment Company Ltd. | 36.00 | 3.00 | 3.00 | 36.00 | 1.80 | – | Available for sale | Promotion |
| China Insurance Insurance Asset Registration Trading Company | 10.00 | 0.00 | 2.00 | 10.00 | – | – | Available for sale | Promotion |

Note: Other than the investment mentioned above and the subsidiaries, associates and joint ventures of the Company, the Company did not have any shareholding in other unlisted financial enterprises.

*(4) Trading of shares in other listed companies*

| | Shares purchased/ sold during the reporting period (in millions) | Amount of capital utilized (RMB in millions) | Investment gains incurred (RMB in millions) |
|---|---|---|---|
| Purchase | 1,365.98 | 17,462.13 | N/A |
| Sale | 1,685.67 | N/A | 251.05 |

4 *Investment in non-standard assets*

(1) *Ratings*

Excluding commercial banking wealth management products and equity financial products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 94.95%. The overall credit risk is minor and the security is high.

| Ratings of Financial Products<br>Credit rating | Proportion |
|---|---|
| AAA | 94.95% |
| AA+ | 3.36% |
| AA | 1.69% |
| **Total** | 100.0% |

(2) *Investment portfolio*

Unit: RMB in millions

| | **As at 30 June 2017** | As at 31 December 2016 | Change |
|---|---|---|---|
| **Non-standard debt investments** | **197,913** | 194,163 | 1.9% |
| Trust product | **59,698** | 62,534 | -4.5% |
| Debt plan | **35,259** | 32,835 | 7.4% |
| Project asset support plan | **20,000** | 20,000 | 0.0% |
| Wealth management product | **77,876** | 71,126 | 9.5% |
| Perpetual Bond | **5,000** | 5,000 | 0.0% |
| Asset management plan | **80** | 2,668 | -97.0% |
| **Non-standard equity investments** | **32,789** | 31,260 | 4.9% |
| Asset management plan | **14,191** | 13,769 | 3.1% |
| Private equity | **3,825** | 2,728 | 40.2% |
| Unlisted equity | **11,073** | 11,063 | 0.1% |
| Equity investment plan | **3,700** | 3,700 | 0.0% |
| **Total** | **230,702** | 225,423 | 2.3% |

(3) *Major management institutions*

Unit: RMB in millions

| Top 10 management institutions of financial products | Paid Amount | Proportion |
|---|---|---|
| Shanghai Pudong Development Bank Co., Ltd. | 34,980 | 17.4% |
| New China Asset Management Co., Ltd. | 22,758 | 11.3% |
| Huarong International Trust Co., Ltd. | 18,453 | 9.2% |
| China Everbright Bank Company Limited | 17,999 | 8.9% |
| Industrial Bank Co., Ltd | 16,498 | 8.2% |
| Zhongrong International Trust Co., Ltd. | 16,185 | 8.0% |
| PICC Capital Investment Management Company Limited | 7,630 | 3.8% |
| Generali China Asset Management Co., Ltd | 6,352 | 3.2% |
| Sun Life Everbright Asset Management Co., Ltd. | 5,350 | 2.7% |
| Beijing International Trust Co., Ltd. | 5,200 | 2.6% |
| **Total** | 151,405 | 75.3% |

## III. PRINCIPAL CONTENTS AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

### (I) Analysis of principal components of balance sheet

*1. Principal assets*

Unit: RMB in millions

| Component | As at 30 June 2017 | As at 31 December 2016 | Change |
|---|---|---|---|
| Debt financial assets | **465,095** | 436,810 | 6.5% |
| – Held-to-maturity | **205,846** | 195,126 | 5.5% |
| – Available-for-sale | **201,535** | 184,045 | 9.5% |
| – At fair value through profit or loss | **1,055** | 3,404 | -69.0% |
| – Loans and receivables | **56,659** | 54,235 | 4.5% |
| Equity financial assets | **110,324** | 107,693 | 2.4% |
| – Available-for-sale | **105,877** | 99,263 | 6.7% |
| – At fair value through profit or loss | **4,447** | 8,430 | -47.2% |
| Term deposits | **47,636** | 79,845 | -40.3% |
| Financial assets purchased under agreements to resell | **6,709** | 2,325 | 188.6% |
| Premiums receivable | **3,881** | 1,846 | 110.2% |
| Deferred tax assets | **71** | 308 | -76.9% |
| Other assets not included in the above assets | **71,604** | 70,354 | 1.8% |
| **Total** | **705,320** | 699,181 | 0.9% |

*Debt financial assets*

As of the end of the reporting period, debt financial assets increased by 6.5% as compared to the end of 2016, mainly due to the increase in the allocation of financial bonds in the available-for-sale assets and the increase in the allocation of government bonds in the held-to-maturity assets.

*Equity financial assets*

As of the end of the reporting period, equity financial assets increased by 2.4% as compared to the end of 2016, mainly due to the increase in the allocation of private equity in the available-for-sale assets and the increase of fair value movement in stock investments.

*Term deposits*

As of the end of the reporting period, term deposits decreased by 40.3% as compared to the end of 2016, mainly due to the decrease of allocation of term deposits resulted from the maturity of certain term deposits.

*Financial assets purchased under agreements to resell*

As of the end of the reporting period, financial assets purchased under agreements to resell increased by 188.6% as compared to the end of 2016, mainly due to the purpose of investment assets allocation and liquidity management.

*Premiums receivable*

As of the end of the reporting period, premium receivables increased by 110.2% as compared to the end of 2016, mainly due to the uneven distribution among the quarters and the cumulative growth of insurance business.

*Deferred tax assets*

As of the end of the reporting period, deferred tax assets decreased by 76.9% as compared to the end of 2016, mainly due to the fluctuated capital market, the increase in carrying amount of available-for-sale financial assets of the Company, as well as the decrease in the deductible temporary difference, resulting in the decrease of deferred tax assets.

2. *Principal liabilities*

Unit: RMB in millions

| Component | As at 30 June 2017 | As at 31 December 2016 | Change |
|---|---|---|---|
| Insurance contracts | **554,247** | 543,228 | 2.0% |
| Long-term insurance contract liabilities | **551,931** | 541,424 | 1.9% |
| Short-term insurance contract liabilities | | | |
| – Outstanding claims liabilities | **672** | 640 | 5.0% |
| – Unearned premiums liabilities | **1,644** | 1,164 | 41.2% |
| Investment contracts | **32,835** | 30,071 | 9.2% |
| Financial assets sold under agreements to repurchase | **29,757** | 39,246 | -24.2% |
| Premiums received in advance | **178** | 3,042 | -94.1% |
| Other liabilities | **7,966** | 5,899 | 35.0% |
| Other liabilities not included in the above liabilities | **18,608** | 18,570 | 0.2% |
| **Total** | **643,591** | 640,056 | 0.6% |

*Insurance contracts*

As of the end of the reporting period, insurance contracts liabilities increased by 2.0% as compared to the end of 2016, mainly due to the accumulation of insurance obligations.

*Financial assets sold under agreements to repurchase*

As of the end of the reporting period, financial assets sold under agreements to repurchase decreased by 24.2% as compared to the end of 2016, primarily due to the requirement of investment assets allocation and liquidity management.

*Premiums received in advance*

As of the end of the reporting period, premiums received in advance decreased by 94.1% as compared to the end of 2016, mainly due to the difference in the timing of underwriting policies of insurance business.

*Other liabilities*

As of the end of the reporting period, other liabilities increased by 35.0% as compared to the end of 2016, primarily due to the increase of interests payable of subordinated debt of the Company, the increase of brokerage and commission expenses, and the provision for cash dividend resolved at the shareholders' general meeting of the Company in the first half of the year.

3. *Shareholders' equity*

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB61,722 million, representing an increase of 4.4% as compared to the end of 2016, primarily due to the increase of investment income and cumulative growth of insurance business.

## (II) Analysis of Principal Components of the Income Statement

1. *Revenues*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| Gross written premiums and policy fees | **61,273** | 71,081 | -13.8% |
| Less: premiums ceded out | **(636)** | (446) | 42.6% |
| Net written premiums and policy fees | **60,637** | 70,635 | -14.2% |
| Net change in unearned premiums liabilities | **(454)** | (287) | 58.2% |
| Net premiums earned and policy fees | **60,183** | 70,348 | -14.4% |
| Investment income | **15,893** | 16,255 | -2.2% |
| Other income | **187** | 447 | -58.2% |
| **Total** | **76,263** | 87,050 | -12.4% |

*GWP and policy fees*

During the reporting period, GWP and policy fees amounted to RMB61,273 million, representing a decrease of 13.8% as compared to the same period of last year, mainly due to the decrease in first year premiums as compared to the same period of last year as a result of the adjustment of the product structure of the Company.

*Premiums ceded out*

During the reporting period, premiums ceded out amounted to RMB636 million, representing an increase of 42.6% as compared to the same period of last year, mainly due to the growth of ceded out business.

*Net change in unearned premiums liabilities*

During the reporting period, net change in unearned premiums liabilities was RMB454 million, representing an increase of 58.2% as compared to the same period of last year, primarily due to the increase of short-term insurance business.

*Other income*

During the reporting period, other income amounted to RMB187 million, representing a decrease of 58.2% as compared to the same period of last year, primarily due to the downward trend in the exchange rate of US dollars. The foreign exchange loss of the Company in the reporting period was RMB157 million, which turned from a gain of RMB142 million in the same period of last year.

2. *Insurance business expenditures and other expenses*

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| Insurance benefits and claims | **(53,919)** | (67,766) | -20.4% |
| Claims and net change in outstanding claims liabilities | **(696)** | (528) | 31.8% |
| Life insurance death and other benefits | **(44,613)** | (46,076) | -3.2% |
| Increase in long-term insurance contract liabilities | **(8,610)** | (21,162) | -59.3% |
| Investment contract benefits | **(607)** | (530) | 14.5% |
| Commission and brokerage expenses | **(8,796)** | (7,421) | 18.5% |
| Administrative expenses | **(6,949)** | (6,319) | 10.0% |
| Other expenses | **(272)** | (173) | 57.2% |
| **Total** | **(70,543)** | (82,209) | -14.2% |

*Claims and net change in outstanding claims liabilities*

During the reporting period, claims and net change in outstanding claims liabilities amounted to RMB696 million, representing an increase of 31.8% as compared to the same period of last year, mainly due to the increase in expenditure on short term insurance claims.

*Increase in long-term insurance contract liabilities*

During the reporting period, increase in long-term insurance contract liabilities amounted to RMB8,610 million, representing a decrease of 59.3% as compared to the same period of last year, mainly due to the decrease in gross written premiums and increase in claims payment.

*Other expenses*

During the reporting period, other expenses amounted to RMB272 million, representing an increase of 57.2% as compared to last year, mainly due to the donation to New China Life Foundation of RMB50 million and the increase of special claims.

### 3. *Income tax*

During the reporting period, income tax expenses were RMB1,642 million, representing an increase of 82.9% as compared to the same period of last year, mainly due to the increase in taxable income.

### 4. *Net Profit*

During the reporting period, the Company achieved RMB3,237 million for the net profit attributable to the shareholders of the Company, representing a decrease of 2.9% as compared to the same period of last year, mainly due to the change of business structure and the increase of income tax.

### 5. *Other comprehensive income*

During the reporting period, other comprehensive income was RMB824 million, while it was a loss of RMB2,540 million in the same period of last year, mainly because the carrying amount of available-for-sale financial assets turned to gain in the reporting period from loss in the same period last year.

## (III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 | Change |
|---|---|---|---|
| Net cash flows from operating activities | **(4,207)** | 8,843 | N/A |
| Net cash flows from investing activities | **15,706** | (25,689) | N/A |
| Net cash flows from financing activities | **(10,032)** | 16,039 | N/A |

### 1. *Net cash flows from operating activities*

Net cash flows generated from operating activities of the Company for the first half of 2017 and 2016 amounted to negative RMB4,207 million and RMB8,843 million, respectively. Cash inflows generated from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from existing insurance contracts during the first half of 2017 and 2016 amounted to RMB56,372 million and RMB66,908 million, respectively.

Cash outflows due to the operating activities of the Company for the first half of 2017 and 2016 amounted to RMB63,461 million and RMB61,170 million, respectively. Cash outflows due to the operating activities of the Company were primarily comprised of benefits and claims expenses paid in cash, commission and brokerage expenses, cash paid to or for employees, tax paid and other cash payments related to operating activities. Benefits and claims expenses paid in cash for the existing insurance contracts for the first half of 2017 and 2016 amounted to RMB45,479 million and RMB46,866 million, respectively, and the above changes were primarily influenced by the Company's business development and claims expenses paid.

### 2. *Net cash flows from investing activities*

Net cash flows generated from investing activities of the Company for the first half of 2017 and 2016 amounted to RMB15,706 million and negative RMB25,689 million, respectively. Cash inflows generated from investing activities of the Company for the first half of 2017 and 2016 amounted to RMB319,767 million and RMB188,516 million, respectively. Cash inflows generated from investing activities of the Company were primarily comprised of cash received from recoup of investments, cash received from investment returns and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from the investing activities of the Company for the first half of 2017 and 2016 amounted to RMB304,061 million and RMB214,205 million, respectively. Cash outflows due to the investing activities of the Company were primarily comprised of cash paid for investments, cash paid for financial assets purchased under agreements to resell, net increase in policy loans, cash paid for the purchase of fixed assets, intangible assets and other long-term assets, etc.

*3. Net cash flows from financing activities*

Net cash flows generated from financing activities of the Company for the first half of 2017 and 2016 amounted to negative RMB10,032 million and RMB16,039 million, respectively. Cash inflows generated from financing activities of the Company for the first half of 2017 and 2016 amounted to RMB3,928,380 million and RMB1,797,798 million, respectively. Cash inflows generated from financing activities of the Company were primarily comprised of cash received from the financial assets sold under agreements to repurchase, etc.

Cash outflows due to the financing activities of the Company for the first half of 2017 and 2016 amounted to RMB3,938,412 million and RMB1,781,759 million, respectively. Cash outflows due to the financing activities of the Company were primarily comprised of cash paid for the financial assets sold under agreements to repurchase.

*4. Source and use of liquidity*

The principal cash inflows of the Company were comprised of insurance premiums, income from investment contracts, proceeds from sales and maturity of investment assets, and investment income. The liquidity risks with respect to these cash inflows primarily arose from surrenders of contract holders and policyholders, as well as the risks of default by debtors, fluctuation of interest rate and other market risks. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provide us with liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB15,579 million. The term deposits of the Company amounted to RMB47,636 million. Substantially all of the Company's term deposits were available for utilization, subject to interest loss. The investment portfolio of the Company also provides liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB465,095 million, and the book value of equity financial assets excluding investment in associates and joint venture amounted to RMB110,324 million.

The principal cash outflows of the Company were comprised of the liabilities associated with various life insurance, annuity, accident and health insurance products, the distribution of dividends and interest payments of insurance policies and annuity contracts, operating expenses, income taxes and dividends declared and payable to shareholders. Cash outflows arising from the insurance activities primarily related to benefit payments of insurance products, as well as payments for policy surrenders, withdrawals and loans.

The Company is of the view that its sources of liquidity are sufficient to meet its current cash requirements.

# IV. ANALYSIS BY COMPONENT

## (I) Solvency

The Company calculated and disclosed core capital, actual capital, minimum capital and solvency margin ratios according to the Solvency Regulatory Rules (No. 1-17) for Insurance Companies. As required by the CIRC, solvency margin ratios of a domestic insurance company in the PRC must meet the prescribed thresholds.

Unit: RMB in millions

| | As at 30 June 2017 | As at 31 December 2016 | Reason(s) of Change |
|---|---|---|---|
| Core capital | **181,313** | 168,616 | Gains and losses for the current period, changes in fair value of investment assets and growth in insurance business |
| Actual capital | **195,313** | 182,616 | |
| Minimum capital | **66,590** | 64,917 | Growth and structural change in insurance and investment business |
| Core solvency margin ratio[1][2] | **272.28%** | 259.74% | |
| Comprehensive solvency[1][2] margin ratio | **293.31%** | 281.30% | |

Notes:

1. Core solvency margin ratio = core capital/minimum capital; comprehensive solvency margin ratio = actual capital/minimum capital.

2. The Company redeemed subordinate debts of RMB10,000 million on 18 July 2017. The redemption was expected to have a negative impact of 15 percentage points on the comprehensive solvency ratio, and have no impact on the core solvency ratio.

## (II) Gearing Ratio

| | As at 30 June 2017 | As at 31 December 2016 |
|---|---|---|
| Gearing ratio[1] | **91.2%** | 91.5% |

Note:

1. Gearing ratio = Total liabilities/Total assets

### (III) Reinsurance business

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products with risks and obligations. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd., Beijing Branch, and China Life Reinsurance Company Ltd. etc.

Unit: RMB in millions

| For the six months ended 30 June | 2017 | 2016 |
|---|---|---|
| Swiss Reinsurance Company Ltd., Beijing Branch | **416** | 309 |
| China Life Reinsurance Company Ltd. | **212** | 131 |
| Others[1] | **8** | 6 |
| **Total** | **636** | 446 |

Note:

1. Others primarily included Hannover Rückversicherung AG Shanghai Branch, SCOR Global Life SE Singapore Branch, Munich Reinsurance Company Beijing Branch, and General Reinsurance AG Shanghai Branch and etc.

## V. FUTURE PROSPECTS

The life insurance industry will see significant historical opportunities brought by a steady growth of Chinese economy, further deepening of the supply-side restructuring as well as the gradual implementation of The Several Opinions of the State Council on Accelerating Development of the Modern Insurance Service Industry (《國務院關於加快發展現代保險服務業的若干意見》) (the "New National Ten"). Meanwhile, regulatory policies have been intensively issued with the tightening regulation and guiding the industry to"return to risk protection". The year 2017 is an initial stage of the industry transformation, and also a critical stage for the Company to implement its strategy on transformation and development. Facing new external and internal situations, the Company adheres to the principle of making steady progress with further transformation and development. The Company endeavors to improve competitiveness with the following six measures:

Firstly, continuously focus on core business. The Company will continue to focus on regular premium business, especially that with payment periods of ten years or more, and gradually develop a model that the growth of gross written premiums would be driven by regular premiums and renewal premiums.

Secondly, emphasize protection-oriented products. Following the essence of insurance, the Company will continue to offer risk protection services to the public, covering life, aging, diseases, disabilities and death. Meanwhile, the Company will promote the sales of protection products including pension, health insurance and medical insurance, keep the leading advantages of its products and foster branded products.

Thirdly, build advantages in channels development. The Company will crystalize its business development value and channel positioning, determine the channel development path, give into full play the channel synergy, and improve the competitiveness.

Fourthly, strengthen sales force. Guided by the fundamental rules and management, the Company will improve the productivity of the agent team based on the principles of "cultivating seniors before recruiting juniors" and "maintaining stability of senior manager while allowing moderate mobility of junior agents". Also, the Company will forge a first-class competent professional sales force with leading scale, proper structure, proficient marketing capability and sense of pride, to build core competitive advantage.

Fifthly, adhere to prudent investment strategy. Aiming at pursuing absolute returns, the Company will prioritize risk prevention while actively seeking investment opportunities domestically and abroad with absolute returns.

Sixthly, control risks and safeguard the bottom line. The Company will use bottom-line thinking, strengthen compliance operation with laws, constantly optimize the risk management system under C-ROSS and improve the risk control mechanism, to create a stable environment for the Company's business development.

## I. IMPLEMENTATION OF PROFIT DISTRIBUTION POLICIES AND PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

### (I) Profit Distribution Policies

According to Article 268 of the Articles of Association, the major dividend distribution policies of the Company are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.

2. The Company shall pay attention to the investors' reasonable return on investment in its profit distribution. The profit distribution policies shall maintain sustainability and stability and take into account of the long-term interests of the Company, the interests of all the shareholders as a whole and the sustainable development of the Company. If the profit for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the board of directors based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant regulatory agencies on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the profits available for distribution of the parent company for the year. In the event the Company does not distribute cash dividends, the board of directors shall explain the specific reasons for not distributing cash dividends and the use for the retained profit of the Company, submit them to the shareholders' general meeting for consideration after independent directors expressing their opinions thereon, and disclose the same in the media designated by the Company. In considering the above matters at the shareholders' general meeting, the Company shall provide access to online voting for shareholders.

3. The Company shall give priority to dividend distribution in cash. Where the Company's operation is in a sound condition, and the board of directors considers that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all shareholders of the Company as a whole, the Company may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.

4. The board of directors shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution for submission to the shareholders' general meeting for consideration. The independent directors of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the shareholders' general meeting, the Company shall maintain active communications with shareholders, particularly medium and minority shareholders through various channels, carefully listen to the suggestions and requests of the medium and minority shareholders, and give timely response to the medium and minority shareholders on the relevant matters. Following a resolution approving such profit distribution plan passed at a shareholders' general meeting of the Company, the board of directors shall implement the distribution of the dividends within two months from the convention of such shareholders' general meeting.

5. In the case of war, natural disasters and other force majeure, applicable laws and regulations or new requirements promulgated by relevant regulatory authorities such as CSRC regarding the profit distribution policies of the listed companies, or material effect on the Company's operating conditions due to changes of the external operational environment, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policy. The board of directors of the Company shall perform the relevant decision-making procedures in accordance with the Articles of Association of the Company and, on the basis of fully safeguarding the interests of shareholders and taking into account of the business and operating conditions of the Company prevalent at that time. The board of directors of the Company shall propose a special proposal in respect of adjusting the profit distribution policy and submit it to the shareholders' general meeting for consideration to pass a special resolution after independent directors expressing their opinions thereon. In considering the resolution of adjusting the profit distribution policies, the Company shall maintain active communications with shareholders, particularly medium and minority shareholders through various channels, provide access to online voting for shareholders, carefully listen to the suggestions and requests of the medium and minority shareholders, and give timely response to the medium and minority shareholders on the relevant matters.

The dividend distribution policies of the Company clarify the standards and percentage of dividend distribution, emphasize the roles of independent non-executive directors and pay attention to the communication with medium and minority shareholders. The dividend distribution policies also stipulate in detail the conditions and procedures on the adjustments or changes of the dividend distribution policies and thus protect the legitimate rights of the medium and minority shareholders.

## (II) Implementation of Profit Distribution Plan

The tenth meeting of the sixth session of the board of directors held on 29 March 2017 and the annual shareholders' general meeting of 2016 held on 27 June 2017 considered and approved the Proposal on the Profit Distribution Plan of the Year 2016, respectively.

According to the above proposal, the net profit of the Company for the year 2016 in the audited financial statements is RMB4,579,457 thousand. Since there is no unrecovered deficit in the previous years, the distributable profit of the Company achieved by the end of 2016 in the financial statements is RMB4,579,457 thousand. Based on a total of 3,119,546,600 issued shares, the Company distributed a cash dividend of RMB0.48 (including tax) per share to all shareholders of the Company, totaling RMB1,497,382,368, representing 32.7% of the net profit of the Company for the year 2016 in accordance with the PRC GAAP. The undistributed amount will be retained as undistributed profit for distribution in 2017.

The Company has completed the distribution of the 2016 dividend on 10 August 2017. Please refer to Announcement on the Poll Results of the Annual General Meeting of 2016 and Distribution of 2016 Annual Dividend on 27 June 2017 by the Company for details.

## II. THE PLANS OF PROPOSED INTERIM DIVIDEND AND INCREASE OF SHARES WITH THE USE OF CAPITAL RESERVE

The Company neither distributed interim dividend nor increased shares with the use of capital reserve for the six months ended 30 June 2017.

## III. SIGNIFICANT LITIGATION, ARBITRATION EVENTS AND GENERAL MEDIA DOUBTS

For details of litigation matters regarding the recovery of capital relating to the misconduct of Mr. GUAN Guoliang, former chairman, during the reporting period, please refer to "X. Other significant events – (III) Recovery for the monetary loss relating to the misconduct of former Chairman Mr. GUAN Guoliang" in this section.

The above litigations had no material adverse effect on the Company's financial condition and continuous profitability.

During the reporting period, the Company had no general media incredulity.

## IV. NON-OPERATING CAPITAL ATTRIBUTABLE TO THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

During the reporting period, the Company had no non-operating capital attributable to the controlling shareholder and its related parties.

## V. ACQUISITION AND DISPOSAL OF MATERIAL ASSETS, MERGER AND DIVISION

During the reporting period, the Company had no acquisition or disposal of material assets, merger or division.

## VI. CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

During the reporting period, the Company did not conduct any connected transaction or continuing connected transaction which is subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A Connected Transactions of the Hong Kong Listing Rules.

## VII. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCE

(I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit.

(II) During the reporting period, there was no external contract guarantee of the Company and its subsidiaries, and the Company and its subsidiaries did not provide any contract guarantee for its subsidiaries.

(III) During the reporting period, the Company did not entrust other companies with cash asset management except for entrusting Asset Management Company and Asset Management Company (Hong Kong) with fund investment management.

(IV) Except this report may otherwise disclose, the Company had no other material contract during the reporting period.

## VIII. COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHAREHOLDING DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to Announcement on the Conditions of None Fulfilled Commitments of the Company's Shareholders, Related Parties and the Company published on 13 February 2014 by the Company.

During the reporting period, the commitment relating to avoidance of horizontal competition is being fulfilled continuously and normally.

## IX. PENALTY AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND SHAREHOLDERS WITH OVER 5% SHAREHOLDING

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or shareholders with over 5% shareholding was subject to any investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges.

## X. OTHER SIGNIFICANT EVENTS

### (I) Issuance of 2017 capital supplement bond

To ensure the Company's sufficient solvency ability and broaden the financing channels, the Company shall issue domestic debt financing instruments in the amount not exceeding RMB15.0 billion and overseas debt financing instruments not exceeding USD2.0 billion or equivalent amount in foreign currencies under regulatory provisions, according to the ninth meeting of the sixth session of the board of directors held on 24 February 2017 and the first extraordinary shareholders' general meeting of 2017 held on 28 April 2017.

Please refer to Announcement on Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors of New China Life Insurance Company Ltd. published on 24 February 2017 and the Announcement on the Poll Results of the First Extraordinary General Meeting of 2017 and Election of Non-executive Directors published on 28 April 2017 for details. The Company did not issue any capital supplement bonds during the reporting period.

### (II) Indirect investment in infrastructure projects

As of the end of the reporting period, the Company entrusted Asset Management Company with a total amount of RMB19,047 million invested in the debt investment plan in infrastructure.

### (III) Recovery for the monetary loss relating to the misconduct of former chairman Mr. GUAN Guoliang

To settle the capital flows and clear the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests of its debts to the Company. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first instance ruling and appealed to the Supreme People's Court. On 13 May 2014, the Supreme People's Court made the final ruling, which rejected the appeal instituted by Beijing Tianhuan Real Estate Development Co., Ltd. and sustained the first instance ruling of Chongqing Municipal Higher People's Court. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution against Beijing Tianhuan Real Estate Development Co., Ltd., and Chongqing Municipal Higher People's Court accepted the application and issued execution ruling. The Company received RMB15,807,978.56 as a result of the execution on 25 May 2016. The case is still in the process of execution.

## XI. CORPORATE GOVERNANCE

Pursuant to the Company Law, the Insurance Law, the Securities Law and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the shareholders' general meeting, the board of directors, the board of supervisors and the senior management, and formed an operation mechanism under which the authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the board of directors, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

During the reporting period, the Company held two shareholders' general meetings, six board of directors' meetings and two board of supervisors' meetings in total. Meeting resolutions and relevant meeting documents have been published on the websites of the SSE, the HKSE and the Company as well as other relevant information disclosure media. The shareholders' general meeting, the board of directors, the board of supervisors and the senior management all operated independently according to the Articles of Association and relevant rules and procedures, and effectively performed their respective duties.

The Company has established the executive committee system and the role of CEO since February 2013. Mr. WAN Feng was appointed as CEO concurrently as the chairman of the board of directors in March 2016. The board of directors of the Company is of the view that the roles of chairman and CEO being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company. Major events of the Company shall be subject to complete thorough deliberation and decision-making procedures. All of the above shall guarantee that the chairman of the board of directors and CEO performs his duties efficiently and diligently.

Except for the above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

The Company has formulated the Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Co., Ltd. to regulate the securities transactions of directors, supervisors and senior management of the Company, the standard of which is not less than that of the Model Code for Securities Transactions. Upon specific enquiries to all directors, supervisors and senior management, the Company confirmed that all the directors, supervisors and senior management have complied with the code of conduct specified in the Model Code for Securities Transactions and Administrative Measures for Shareholding and Changes Thereof of directors, supervisors and senior management of New China Life Insurance Co., Ltd.

This report has been reviewed at the seventh meeting of the audit committee of the board of directors in 2017. There are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 of the Hong Kong Listing Rules during the period from 1 January 2017 to 30 June 2017.

## I. CHANGES IN SHARE CAPITAL

During the reporting period, there was no change in the total number of shares and the share capital of the Company.

Unit: share

| | 31 December 2016 | | Increase or decrease during the reporting period (+, -) | | | | | 30 June 2017 | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Percentage | New shares issued | Bonus shares | Transfer from reserve | Others | Sub-total | Number | Percentage |
| 1. Shares with selling restrictions | – | – | – | – | – | – | – | – | – |
| 2. Shares without selling restrictions | | | | | | | | | |
| (1) Ordinary shares denominated in RMB | 2,085,439,340 | 66.85% | – | – | – | – | – | 2,085,439,340 | 66.85% |
| (2) Domestically listed foreign shares | – | – | – | – | – | – | – | – | – |
| (3) Overseas listed foreign shares (H Share) | 1,034,107,260 | 33.15% | – | – | – | – | – | 1,034,107,260 | 33.15% |
| (4) Others | – | – | – | – | – | – | – | – | – |
| Total | 3,119,546,600 | 100.00% | – | – | – | – | – | 3,119,546,600 | 100.00% |
| 3. Total number of shares | 3,119,546,600 | 100.00% | – | – | – | – | – | 3,119,546,600 | 100.00% |

## II. SHAREHOLDERS

### (I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 31,972 shareholders of the Company, including 31,380 A Share shareholders and 592 H Share shareholders.

**Shares held by top ten shareholders**

Unit: share

| Name of the shareholders | Class of the shares | Percentage of the shareholding (%) | Total number of shares held | Increase or decrease of shareholding during the reporting period (+,-) | Number of shares held with selling restrictions[1] | Number of shares pledged or frozen | Type of shares |
|---|---|---|---|---|---|---|---|
| HKSCC Nominees Limited[2] | Overseas legal person shares | 33.14 | 1,033,915,936 | +36,100 | – | – | H |
| Central Huijin Investment Ltd. | State-owned shares | 31.34 | 977,530,534 | – | – | – | A |
| China Baowu Steel Group Corporation Limited [3] | State-owned legal person shares | 13.94 | 434,843,362 | -36,342,103 | – | 128,631,176 shares pledged | A |
| China Securities Finance Corporation Limited | State-owned legal person shares | 3.36 | 104,883,355 | +13,438,433 | – | – | A |
| Central Huijin Asset Management Ltd. | State-owned legal person shares | 0.91 | 28,249,200 | – | – | – | A |
| Beijing Taiji Huaqing Information System Co., Ltd. | Domestic legal person shares | 0.64 | 20,080,000 | -2,000,000 | – | – | A |
| NSSF 111 Portfolio | State-owned legal person shares | 0.53 | 16,550,553 | +16,550,553 | – | – | A |
| NSSF 113 Portfolio | State-owned legal person shares | 0.48 | 14,919,458 | +14,919,458 | – | – | A |
| NSSF 108 Portfolio | State-owned legal person shares | 0.34 | 10,705,567 | +10,705,567 | – | – | A |
| CUAM Fund-ICBC-CUAM-No. 53 Tianfuniu Asset Management Plan | Others | 0.24 | 7,538,697 | – | – | – | A |
| Description of related-party relations or concerted action among the aforesaid shareholders | Central Huijin Asset Management Ltd. is a wholly owned subsidiary of Central Huijin Investment Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert. | | | | | | |

Notes:

1. As of the end of the reporting period, none of the Company's A shares and H shares was subject to selling restrictions.

2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.

3. Baowu Group, shareholder of the Company, completed the issuance of exchangeable bonds on 12 December 2014 using A shares of the Company held by it as the subject. A total number of 165,000,000 A shares of the Company held by Baowu Group that are exchangeable from the bonds and the entitlements of such shares have been transferred into a special trust account as guaranteed and trusted assets. The shares are held by China International Capital Corporation Limited ("CICC") nominally and registered on the list of shareholders with "Baosteel Group-CICC-14 Baosteel EB Guaranteed and Trusted Assets Special Account" as the shareholder. For details, please refer to the announcement titled Announcement in Relation to the Completion of the Issuance of Exchangeable Bonds by A Substantial Shareholder of the Company and the Guarantee and Trust Registration for the Company's A shares Held by The Shareholder published by the Company on the website of the Hong Kong Stock Exchange on 17 December 2014. As of the end of the reporting period, among the A shares as guaranteed and trusted assets for the exchangeable bonds issued by Baowu Group, 36,368,824 shares have been exchanged to A shares of the Company by the bond holders.

**(II) Change of controlling shareholder and the de facto controller**

During the reporting period, there is no change in the controlling shareholder or the de facto controller of the Company.

**(III) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares**

So far as the directors of the Company are reasonably aware of, as of 30 June 2017, Baowu Group holds 434,843,362 A shares of the Company, which accounts for 13.94% of the total issued shares of the Company, and 20.85% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonably aware of, as of 30 June 2017, the following persons (other than the directors, supervisors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

| | Name of substantial shareholders | Type of shares | Capacity | Number of shares | Percentage of the total shares issued | Percentage of the A shares issued | Percentage of the H shares issued | Long Position/ Short Position/ Interest in a lending pool |
|---|---|---|---|---|---|---|---|---|
| 1 | Central Huijin Investment Ltd. | A share | Beneficial owner | 977,530,534 | 31.34 | 46.87 | – | Long Position |
| | | | Interests of Controlled Corporation | 28,249,200 | 0.91 | 1.35 | – | Long Position |
| 2 | Swiss Re Ltd | H share | Interests of Controlled Corporation | 152,857,800 (Note 3) | 4.90 | – | 14.78 | Long Position |
| 3 | Fosun International Holdings Ltd. | H share | Interests of Controlled Corporation | 155,120,200 (Note 4) | 4.97 | – | 15.00 | Long Position |
| 4 | Fosun International Limited | H share | Interests of Controlled Corporation | 124,018,300 | 3.98 | – | 11.99 | Long Position |
| | | | Beneficial owner | 31,101,900 (Note 4) | 1.00 | – | 3.01 | Long Position |
| 5 | GUO Guangchang | H share | Interests of Controlled Corporation | 155,120,200 (Note 4) | 4.97 | – | 15.00 | Long Position |
| 6 | Goldman Sachs (UK) L.L.C. | H share | Interests of Controlled Corporation | 85,326,194 | 2.74 | – | 8.25 | Long Position |
| | | | | 9,691,237 (Note 5) | 0.31 | – | 0.94 | Short Position |
| 7 | Goldman Sachs Group UK Limited | H share | Interests of Controlled Corporation | 85,326,194 | 2.74 | – | 8.25 | Long Position |
| | | | | 9,691,237 (Note 5) | 0.31 | – | 0.94 | Short Position |
| 8 | Goldman Sachs International | H share | Beneficial owner | 85,326,194 | 2.74 | – | 8.25 | Long Position |
| | | | | 9,691,237 (Note 5) | 0.31 | – | 0.94 | Short Position |
| 9 | The Goldman Sachs Group, Inc. | H share | Interests of Controlled Corporation | 51,641,217 | 1.66 | – | 4.99 | Long Position |
| | | | | 42,183,416 (Note 5&6) | 1.35 | – | 4.08 | Short Position |

Notes:

1 Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.

3. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.

4. Mr. GUO Guangchang holds equity interest in the shares of the Company through Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited and other companies controlled or indirectly controlled by them.

5. The Goldman Sachs Group, Inc. holds 100% of the shares of Goldman Sachs (UK) L.L.C., and Goldman Sachs (UK) L.L.C. holds 100% of the shares of Goldman Sachs Group UK Limited, and Goldman Sachs Group UK Limited holds 100% of the shares of Goldman Sachs International, so The Goldman Sachs Group, Inc., Goldman Sachs (UK) L.L.C., Goldman Sachs Group UK Limited are deemed to have interest in the Company's H shares.

6. The Goldman Sachs Group, Inc. also holds equity interest in the shares of the Company through other companies controlled or indirectly controlled by it.

Save as disclosed above, as of 30 June 2017, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

## III. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

## I. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

### (I) Directors

Ms. XIONG Lianhua and Mr. PENG Yulong was elected as non-executive directors of the sixth session of the board of directors on the first extraordinary shareholders' general meeting of 2017 held on 28 April 2017. The CIRC has approved the qualification of Ms. XIONG Lianhua and Mr. PENG Yulong as non-executive directors of the Company. Please refer to the announcement of Approval of Directors' Qualifications by CIRC published on 6 July 2017 for details.

Mr. ZHANG Guozheng tendered his resignation report as a non-executive director and his position in the committees of the board of directors on 15 March 2017. The resignation took effect on the date when his resignation report was delivered to the board of directors. Please refer to the announcement of Resignation of Director published by the Company on 15 March 2017 for details.

Ms. CHEN Yuanling tendered her resignation report as a non-executive director and her position in the committees of the board of directors on 12 June 2017. The resignation took effect on the date when her resignation report was delivered to the board of directors. Please refer to the announcement of Resignation of Director published by the Company on 13 June 2017 for details.

### (II) Supervisors

Mr. LIU Zhiyong tendered his resignation report to the board of supervisors on 10 April 2017. He resigned from the position as a supervisor of the Company due to work-related reasons. Considering that the resignation of Mr. LIU Zhiyong would reduce the number of supervisors to be less than two-thirds of the total number of supervisors specified in the Articles of Association, before the appointment of a new supervisor, Mr. LIU Zhiyong will continue to perform the duties as a supervisor in accordance with laws, regulations, regulatory documents and the Articles of Association. Please refer to the announcement of Resignation of Supervisor published by the Company on 11 April 2017 for details.

### (III) Members of Senior Management

The sixth meeting of the sixth session of the board of directors held on 28 October 2016 resolved to appoint Mr. LI Zongjian, Mr.YANG Zheng, Mr. LIU Yigong, Mr. LI Yuan, Mr. GONG Xingfeng and Mr. YU Zhigang as the vice presidents of the Company, of which Mr.YANG Zheng has also served the chief financial officer (financial principal), and Mr. GONG Xingfeng has also served as the chief actuary and the board secretary of the Company. The meeting resolved to appoint Mr. YUE Ran, Mr. YUAN Chaojun, Mr. ZHU Ying, Mr. LIU Qiyan and Mr. Wang Lianwen as the assistant to president of the Company, of which Mr. YUE Ran has also served as the chief human resource officer of the Company, and Mr. ZHU Ying has also served as the chief risk officer (compliance principal) and the audit principal. The vice president qualification of Mr. LI Zongjian was approved by the CIRC on 25 January 2017. The vice president qualification of Mr. YANG Zheng was approved by the CIRC on 27 December 2016; and his qualification for chief financial officer (financial principal) was approved by the CIRC on 28 February 2017. The board secretary qualification of Mr. GONG Xingfeng was approved by the CIRC on 6 March 2017. The assistant to president qualification of Mr. Wang Lianwen was approved by the CIRC on 7 February 2017. The appointments of Mr. LI Yuan, Mr. Gong Xingfeng and Mr. YU Zhigang as vice presidents have been submitted to the CIRC for filing purpose. The assistant to president qualification of Mr. LIU Qiyan was approved by the CIRC on 8 May 2017.

The tenth meeting of the sixth session of the board of directors held on 29 March 2017 resolved to appoint Mr. LIU Qiyan as the chief human resource officer of the Company; and Mr. YUE Ran no longer served as the chief human resource officer.

Mr. ZHU Ying tendered his resignation report to the Company and he no longer served as the assistant to president and all the other management positions of the Company since 1 February 2017.

## II. SHAREHOLDING OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

### (I) Shareholding of the Company's A shares by directors, supervisors and members of senior management

During the reporting period, no directors, supervisors or members of senior management currently in office or resigned during the reporting period held any of the Company's A shares directly or indirectly.

### (II) Interests and short positions of directors, supervisors and chief executive under Hong Kong laws, regulations and rules

As of 30 June 2017, according to the information available to the Company and as far as our directors are aware of, there is no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executive in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

## WILLIS TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

**To the Directors of New China Life Insurance Company Ltd.**

New China Life Insurance Company Ltd. ("NCI") has prepared embedded value results for the first half year ended 30 June 2017 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

Towers Watson Management (Shenzhen) Consulting Co. Ltd, Beijing Branch ("WTW" or "we") has been engaged by NCI to review its EV Results as of 30 June 2017. This report is addressed solely to NCI in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

### Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the value of first half year's new business as at 30 June 2017, in the light of the requirements of the " CAA Standards of Actuarial Practice: Appraisal of Embedded Value " issued by the China Association of Actuaries ("CAA") in November 2016;

- A review of the economic and operating assumptions used to calculate the embedded value and the value of first half year's new business as at 30 June 2017; and

- A review of the results of NCI's calculation of the EV Results, comprising:

  – the embedded value and the value of first half year's new business as at 30 June 2017;

  – the sensitivity tests of the value of in-force business and value of first half year's new business as at 30 June 2017; and

  – the analysis of change of the embedded value from 31 December 2016 to 30 June 2017.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by NCI.

## Opinion

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the CAA. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;

- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company's current and expected future asset mix and investment strategy;

- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;

- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

WTW confirms that the results shown in the Embedded Value section of NCI's 2017 interim report are consistent with those reviewed by WTW.

For and on behalf of WTW

**Michael Freeman, FIAA** **Wesley Cui, FSA, FCAA**

29 August 2017

## 1. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 30 June 2017 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax shareholder distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

In November 2016, China Association of Actuaries (CAA) issued CAA [2016] No.36"CAA Standards of Actuarial Practice: Appraisal of Embedded Value" (hereafter referred to as "Appraisal of Embedded Value" standard). The embedded value and value of first half year's new business in this section are prepared by the Company in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of the Company's embedded value. The review statement from Willis Towers Watson is contained in the "Willis Towers Watson's Review Opinion Report on Embedded Value" section.

## 2. DEFINITIONS OF EMBEDDED VALUE

Our embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of required capital held by the company.

"Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less policy liabilities valued under the "Appraisal of Embedded Value" standard; and

- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments for differences between China Accounting Value Standards reserves and reserves under the "Appraisal of Embedded Value" standard.

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The "value of in-force business" is the discounted value of the projected stream of future after-tax shareholder distributable profits for existing in-force business at the valuation date. The "value of first half year's new business" is the discounted value of the projected stream of future after-tax shareholder distributable profits for sales in the six months immediately preceding the valuation date. Shareholder distributable profits are determined based on policy liabilities, required capital in excess of policy liabilities, and minimum capital requirement quantification standards prescribed by the CIRC.

The value of in-force business and the value of first half year's new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with the "Appraisal of Embedded Value" standard and is also commonly-used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

## 3. KEY ASSUMPTIONS

In determining the embedded value and the value of first half year's new business as at 30 June 2017, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the relevant regulations for determining policy liabilities and required capital remain unchanged. The operational assumptions are mainly based on the results of experience analyses of the Company, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

### (1) Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of first half year's new business is 11.5%.

**(2) Investment Returns**

The investment return assumptions as at 30 June 2017 are shown below for the different funds respectively.

| | Investment Return Assumptions for VIF and the Value of First Half Year's New Business as at 30 June 2017 | | | |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020+ |
| Non-participating | 4.50% | 4.60% | 4.80% | 5.00% |
| Participating | 4.50% | 4.60% | 4.80% | 5.00% |
| Universal life | 4.50% | 4.70% | 5.00% | 5.10% |
| Unit-linked | 7.60% | 7.60% | 7.80% | 7.90% |

Note: Investment return assumptions are applied to calendar year.

**(3) Mortality**

Mortality assumptions have been developed based on the Company's past mortality experience, expectations of current and future experience. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: China Life Tables (2000 to 2003).

**(4) Morbidity**

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience. Morbidity assumptions are expressed as a percentage of China Life Insurance Experienced Critical Illness Table (2006 to 2010).

**(5) Discontinuance Rates**

Assumptions have been developed based on the Company's past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

**(6) Expenses**

Unit cost assumptions have been developed based on the Company's past actual expenses experience, expectations of current and future experience. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

**(7) Commission and Handling Fees**

The assumed level of commission and commission override, as well as handling fees, have been set based on the levels currently being paid.

**(8) Policyholder Bonuses and Dividends**

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

**(9) Tax**

Tax has been assumed to be payable at 25% p.a. of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. In addition, taxes and surcharges for short-term health and accident business are based on related tax regulation.

**(10) Cost of Required Capital**

It is assumed that 100% of the minimum capital requirement prescribed by the CIRC is to be held by the Company in the calculation of the value of in-force business and the value of first half year's new business.

The current solvency regulations have been assumed unaltered throughout the course of projection.

**(11) Other Assumptions**

The current methods for calculating surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

## 4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of first half year's new business as at 30 June 2017 and their corresponding results as at prior valuation date.

Unit: RMB in millions

| Valuation Date | 30 June 2017 | 31 December 2016 |
|---|---|---|
| **Adjusted Net Worth** | **86,468** | 81,313 |
| Value of In-Force Business Before Cost of Required Capital Held | **74,358** | 65,084 |
| Cost of Required Capital Held | **(18,738)** | (16,947) |
| **Value of In-Force Business After Cost of Required Capital Held** | **55,620** | 48,137 |
| **Embedded Value** | **142,089** | 129,450 |

Notes:

1: Numbers may not be additive due to rounding.

2: The impact of major reinsurance contracts has been reflected in the embedded value.

Unit: RMB in millions

| Valuation Date | 30 June 2017 | 30 June 2016 |
|---|---|---|
| **Value of First Half Year's New Business** | | |
| Value of First Half Year's New Business Before Cost of Required Capital Held | **8,975** | 7,230 |
| Cost of Required Capital Held | **(1,822)** | (1,676) |
| **Value of First Half Year's New Business After Cost of Required Capital Held** | **7,153** | 5,553 |

Notes:

1: Numbers may not be additive due to rounding.

2: The value of first half year's new business as at 30 June 2016 was restated for adopting "Appraisal of Embedded Value" standard which was issued by CAA in November 2016 and assumptions as at 31 December 2016.

3: The first year premiums used to calculate the value of first half year's new business as at 30 June 2017 and 30 June 2016 were RMB17,998 million and RMB35,227 million, respectively.

4: The impact of major reinsurance contracts has been reflected in the value of first half year's new business.

Unit: RMB in millions

| Valuation Date | 30 June 2017 | 30 June 2016 |
|---|---|---|
| **Value of First Half Year's New Business by Distribution Channel** | | |
| Individual insurance channel | **6,991** | 5,533 |
| Bancassurance channel | **220** | 70 |
| Group insurance channel | **(58)** | (50) |
| **Total** | **7,153** | 5,553 |

Notes:

1: Numbers may not be additive due to rounding.

2: The value of first half year's new business as at 30 June 2016 was restated for adopting "Appraisal of Embedded Value" standard which was issued by CAA in November 2016 and assumptions as at 31 December 2016.

3: The first year premiums used to calculate the value of first half year's new business as at 30 June 2017 and 30 June 2016 were RMB17,998 million and RMB35,227 million, respectively.

4: The impact of major reinsurance contracts has been reflected in value of first half year's new business.

## 5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2016 to 30 June 2017, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

| Analysis of Change in EV from 31 December 2016 to 30 June 2017 at a Risk Discount Rate of 11.5% | | |
|---|---|---|
| **1.** | **EV at the beginning of period** | **129,450** |
| 2. | Impact of Value of New Business | 7,153 |
| 3. | Expected Return | 6,114 |
| 4. | Operating Experience Variances | 908 |
| 5. | Economic Experience Variances | (462) |
| 6. | Operating Assumption Changes | – |
| 7. | Economic Assumption Changes | – |
| 8. | Capital Injection/Shareholder Dividend Payment | (1,497) |
| 9. | Others | 347 |
| 10. | Value Change Other Than Life Insurance Business | 77 |
| **11.** | **EV at the end of period** | **142,089** |

Note: Numbers may not be additive due to rounding.

Items 2 to 10 are explained below:

2. Value of new business as measured at the point of issuing.

3. Expected return on adjusted net worth and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates, expenses and taxes) and the assumed at the beginning of the period.

5. Reflects the difference between actual and expected investment returns and market value adjustment in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital injection and other dividend payment to shareholders.

9. Other miscellaneous items.

10. Value change other than those arising from the life insurance business.

## 6. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarised below.

Unit: RMB in millions

**VIF and Value of First Half Year's New Business Sensitivity Results as at 30 June 2017**

| Scenarios | VIF after Cost of Required Capital Held | the Value of First Half Year's New Business after Cost of Required Capital Held |
|---|---|---|
| Base Scenario | 55,620 | 7,153 |
| Risk Discount Rate at 12% | 52,771 | 6,800 |
| Risk Discount Rate at 11% | 58,656 | 7,530 |
| Investment Return 50bps higher | 66,441 | 8,142 |
| Investment Return 50bps lower | 44,758 | 6,155 |
| Expenses 10% higher (110% of Base) | 54,193 | 6,433 |
| Expenses 10% lower (90% of Base) | 57,047 | 7,869 |
| Discontinuance Rates 10% higher (110% of Base) | 54,163 | 6,744 |
| Discontinuance Rates 10% lower (90% of Base) | 57,031 | 7,568 |
| Mortality 10% higher (110% of Base) | 55,099 | 7,080 |
| Mortality 10% lower (90% of Base) | 56,139 | 7,222 |
| Morbidity and Loss Ratio 10% higher (110% of Base) | 53,827 | 6,850 |
| Morbidity and Loss Ratio 10% lower (90% of Base) | 57,419 | 7,452 |
| Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30% | 50,774 | 6,994 |

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2017

**International Auditor's Independent Review Report**
**To the members of New China Life Insurance Company Ltd.**
*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements, set out on pages 56 to 112, which comprise the interim condensed consolidated statement of financial position of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards, or accept liability to, any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
*Certified Public Accountants*

Hong Kong
29 August 2017

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | Notes | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | | **8,053** | 7,849 |
| Investment properties | | **3,530** | 3,395 |
| Intangible assets | | **1,725** | 1,792 |
| Investments in associates and joint ventures | *7* | **4,748** | 4,575 |
| Debt financial assets | | **465,095** | 436,810 |
| – Held-to-maturity | *8(1)* | **205,846** | 195,126 |
| – Available-for-sale | *8(2)* | **201,535** | 184,045 |
| – At fair value through profit or loss | *8(3)* | **1,055** | 3,404 |
| – Loans and receivables | *8(4)* | **56,659** | 54,235 |
| Equity financial assets | | **110,324** | 107,693 |
| – Available-for-sale | *8(2)* | **105,877** | 99,263 |
| – At fair value through profit or loss | *8(3)* | **4,447** | 8,430 |
| Term deposits | *8(5)* | **47,636** | 79,845 |
| Statutory deposits | | **915** | 816 |
| Policy loans | | **24,846** | 23,831 |
| Financial assets purchased under agreements to resell | | **6,709** | 2,325 |
| Accrued investment income | | **8,740** | 9,669 |
| Premiums receivable | | **3,881** | 1,846 |
| Deferred tax assets | *19* | **71** | 308 |
| Reinsurance assets | | **2,240** | 2,693 |
| Other assets | | **1,228** | 1,504 |
| Cash and cash equivalents | | **15,579** | 14,230 |
| **Total assets** | | **705,320** | 699,181 |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

As at 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | Notes | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Insurance contracts | | | |
| Long-term insurance contract liabilities | *9* | **551,931** | 541,424 |
| Short-term insurance contract liabilities | | | |
| – Outstanding claims liabilities | *9* | **672** | 640 |
| – Unearned premiums liabilities | *9* | **1,644** | 1,164 |
| Investment contracts | *10* | **32,835** | 30,071 |
| Borrowings | *11* | **14,000** | 14,000 |
| Financial liabilities at fair value through profit or loss | | **9** | 9 |
| Financial assets sold under agreements to repurchase | *12* | **29,757** | 39,246 |
| Benefits, claims and surrenders payable | | **3,017** | 2,950 |
| Premiums received in advance | | **178** | 3,042 |
| Reinsurance liabilities | | **244** | 215 |
| Provisions | *13* | **29** | 29 |
| Other liabilities | | **7,966** | 5,899 |
| Current income tax liabilities | | **1,255** | 1,313 |
| Deferred tax liabilities | *19* | **54** | 54 |
| **Total liabilities** | | **643,591** | 640,056 |
| **Shareholders' equity** | | | |
| Share capital | *14* | **3,120** | 3,120 |
| Reserves | *15* | **32,510** | 31,646 |
| Retained earnings | | **26,092** | 24,352 |
| **Equity attributable to owners of the parent** | | **61,722** | 59,118 |
| **Non-controlling interests** | | **7** | 7 |
| **Total equity** | | **61,729** | 59,125 |
| **Total liabilities and equity** | | **705,320** | 699,181 |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | Notes | For the six months ended 30 June | |
|---|---|---|---|
| | | **2017 Unaudited** | 2016 Unaudited |
| **REVENUES** | | | |
| Gross written premiums and policy fees | *16* | **61,273** | 71,081 |
| Less: premiums ceded out | | **(636)** | (446) |
| **Net written premiums and policy fees** | | **60,637** | 70,635 |
| Net change in unearned premiums liabilities | | **(454)** | (287) |
| **Net premiums earned and policy fees** | | **60,183** | 70,348 |
| Investment income | *17* | **15,893** | 16,255 |
| Other income | | **187** | 447 |
| **Total revenues** | | **76,263** | 87,050 |
| **BENEFITS, CLAIMS AND EXPENSES** | | | |
| Insurance benefits and claims | | | |
| Claims and net change in outstanding claims liabilities | | **(696)** | (528) |
| Life insurance death and other benefits | | **(44,613)** | (46,076) |
| Increase in long-term insurance contract liabilities | | **(8,610)** | (21,162) |
| Investment contract benefits | | **(607)** | (530) |
| Commission and brokerage expenses | | **(8,796)** | (7,421) |
| Administrative expenses | *18* | **(6,949)** | (6,319) |
| Other expenses | | **(272)** | (173) |
| **Total benefits, claims and expenses** | | **(70,543)** | (82,209) |
| Share of profits and losses of associates and joint ventures | | **118** | 39 |
| Finance costs | | **(959)** | (648) |
| **Profit before income tax** | | **4,879** | 4,232 |
| Income tax expense | *19* | **(1,642)** | (898) |
| **Net profit for the period** | | **3,237** | 3,334 |
| **Net profit for the period attributable to:** | | | |
| – Owners of the parent | | **3,237** | 3,333 |
| – Non-controlling interests | | **–** | 1 |
| **Earnings per share (RMB)** | | | |
| Basic | *20* | **1.04** | 1.07 |
| Diluted | *20* | **1.04** | 1.07 |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| **Net profit for the period** | **3,237** | 3,334 |
| ***Other comprehensive income to be reclassified to profit or loss in subsequent periods*** | | |
| Available-for-sale financial assets | | |
| Gains/(Losses) arising from fair value changes | **2,831** | (9,088) |
| Gains transferred to profit or loss from other comprehensive income | **(687)** | (374) |
| Impairment transferred to profit or loss from other comprehensive income | **716** | 458 |
| Changes in liabilities for insurance and investment contracts arising from net unrealized gains | **(1,837)** | 5,662 |
| Currency translation differences | **(5)** | 3 |
| Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts | **83** | (48) |
| Income tax relating to components of other comprehensive income | **(277)** | 847 |
| **Total other comprehensive income for the period, net of tax** | **824** | (2,540) |
| **Total comprehensive income for the period** | **4,061** | 794 |
| **Total comprehensive income for the period attributable to:** | | |
| – Owners of the parent | **4,061** | 793 |
| – Non-controlling interests | **–** | 1 |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | For the six months ended 30 June 2016 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to owners of the parent | | | | | |
| | Share capital | Reserves | Retained earnings | Total | Non-controlling Interests | Total equity |
| **As at 1 January 2016** | 3,120 | 33,536 | 21,179 | 57,835 | 6 | 57,841 |
| Net profit for the period | – | – | 3,333 | 3,333 | 1 | 3,334 |
| Other comprehensive income | – | (2,540) | – | (2,540) | – | (2,540) |
| **Total comprehensive income** | – | (2,540) | 3,333 | 793 | 1 | 794 |
| **Effect of the introduction of strategic investors to New China Life Excellent Health Investment Management Co., Ltd.** | – | (20) | 20 | – | – | – |
| **Others** | – | (44) | – | (44) | – | (44) |
| Dividends paid | – | – | (873) | (873) | – | (873) |
| **Total transactions with owners** | – | – | (873) | (873) | – | (873) |
| **As at 30 June 2016** | 3,120 | 30,932 | 23,659 | 57,711 | 7 | 57,718 |

| | **For the six months ended 30 June 2017 (Unaudited)** | | | | | |
|---|---|---|---|---|---|---|
| | **Attributable to owners of the parent** | | | | | |
| | **Share capital** | **Reserves** | **Retained earnings** | **Total** | **Non-controlling Interests** | **Total equity** |
| **As at 1 January 2017** | **3,120** | **31,646** | **24,352** | **59,118** | **7** | **59,125** |
| Net profit for the period | **–** | **–** | **3,237** | **3,237** | **–** | **3,237** |
| Other comprehensive income | **–** | **824** | **–** | **824** | **–** | **824** |
| **Total comprehensive income** | **–** | **824** | **3,237** | **4,061** | **–** | **4,061** |
| **Others** | **–** | **40** | **–** | **40** | **–** | **40** |
| Dividends paid | **–** | **–** | **(1,497)** | **(1,497)** | **–** | **(1,497)** |
| **Total transactions with owners** | **–** | **–** | **(1,497)** | **(1,497)** | **–** | **(1,497)** |
| **As at 30 June 2017** | **3,120** | **32,510** | **26,092** | **61,722** | **7** | **61,729** |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| **Operating activities** | | |
| Cash generated from operating activities | **(2,177)** | 9,905 |
| Tax paid | **(2,030)** | (1,062) |
| **Net cash inflow/(outflow) from operating activities** | **(4,207)** | 8,843 |
| **Investing activities** | | |
| Cash received/(paid) for investing activities, net | **3,728** | (40,785) |
| Proceeds from disposal of property, plant and equipment, intangible assets and other assets | **1** | 1 |
| Purchases of property, plant and equipment, intangible assets and other assets | **(604)** | (932) |
| Interest received | **14,320** | 13,382 |
| Dividends received | **2,340** | 2,707 |
| Financial assets purchased under agreements to resell, net | **(4,079)** | (62) |
| **Net cash inflow/(outflow) from investing activities** | **15,706** | (25,689) |
| **Financing activities** | | |
| Financial assets sold under agreements to repurchase, net | **(10,032)** | 16,039 |
| **Net cash inflow/(outflow) from financing activities** | **(10,032)** | 16,039 |
| Effects of exchange rate changes on cash and cash equivalents | **(118)** | 112 |
| Cash and cash equivalents at beginning of period | **14,230** | 13,904 |
| **Cash and cash equivalents at end of period** | **15,579** | 13,209 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash at banks and in hand | **15,079** | 13,142 |
| Short-term bank deposits | **500** | 67 |
| **Cash and cash equivalents at end of period** | **15,579** | 13,209 |

The notes on pages 62 to 112 form an integral part of the interim condensed consolidated financial statements.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was established as a joint stock limited company in September 1996 in Beijing, the People's Republic of China (the "PRC") with the authorization of the State Council of the PRC and the approval by the People's Bank of China. The Company's initial registered capital on the date of incorporation was Renminbi ("RMB") 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the China Insurance Regulatory Commission (the "CIRC"). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in overseas markets, and issued 2,586,600 shares of H shares of the over-allotment shares. Upon the approval of the CIRC, the Company's registered capital was increased to RMB3,120 million. The address of the Company's registered office is No.1 East Hunan Road, Yanqing District, Beijing, the PRC.

The business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 30 June 2017, the Company has equity interests in subsidiaries and consolidated structured entities as set out in Note 26. The Company, its subsidiaries and its consolidated structured entities are hereinafter collectively referred to as the "Group".

These interim condensed consolidated financial statements have been reviewed but not audited.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The accounting policies applied are consistent with those of the consolidated annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of new standards and interpretations effective as at 1 January 2017.

All IFRSs that remain in effect which are relevant to the Group have been applied.

(All amounts in RMB million unless otherwise stated)

## 2 BASIS OF PREPARATION (Continued)

### (a) New accounting standards and amendments adopted by the Group

| Standards/Amendments | Content | Effective for annual periods beginning on or after |
|---|---|---|
| IAS 7 Amendments | *Statement of Cash Flows: Disclosure Initiative* | 1 January 2017 |
| IAS 12 Amendments | *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses* | 1 January 2017 |
| Annual Improvements 2014-2016 Cycle | *Amendments to IFRS 12 Disclosure of Interests in Other Entities* | 1 January 2017 |

*IAS 7 Amendments – Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

*IAS 12 Amendments – Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The Group has adopted the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(All amounts in RMB million unless otherwise stated)

## 2 BASIS OF PREPARATION (Continued)

### (a) New accounting standards and amendments adopted by the Group (Continued)

*Annual Improvements 2014-2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities*

The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments have no significant impact on the Group's consolidated financial statements given that the Group has no interests in other entities that is classified as held for sale.

### (b) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2017

| Standards/Amendments | Content | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 10 and IAS 28 Amendments | *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* | Note |
| IFRS 9 | *Financial Instruments* | 1 January 2018 |
| IFRS 15 | *Revenue from Contracts with Customers* | 1 January 2018 |
| IFRS 15 Amendments | *Clarifications to IFRS 15 Revenue from Contracts with Customers* | 1 January 2018 |
| IFRS 4 Amendments | *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* | 1 January 2018 |
| IAS 40 Amendments | *Transfers of Investment Property* | 1 January 2018 |
| IFRS 2 Amendments | *Classification and Measurement of Share-based Payment Transactions* | 1 January 2018 |
| IFRS 16 | *Leases* | 1 January 2019 |
| IFRS 17 | *Insurance Contracts* | 1 January 2021 |
| IFRIC Interpretation 23 | *Uncertainty over Income Tax Treatments* | 1 January 2019 |

Note: In December 2015, the IASB postponed the effective date of this amendment pending the outcome of its research on the equity method of accounting.

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

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments, estimates and assumptions made by the Group during the preparation of the condensed consolidated interim financial information would affect the reported amounts and disclosures of assets and liabilities, and the disclosure of contingent liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences. Uncertainty about these assumption and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Significant judgments**

*(1) Unbundling and classification of hybrid contracts*

The Group makes significant judgments on whether a written policy contains both an insurance component and a deposit component and whether the insurance component and deposit component are distinct and separately measurable. The result of such judgment affects the unbundling of insurance contracts.

In addition, the Group makes significant judgments on whether the contract transfers insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk tests. The result of such judgment affects the classification of insurance contracts. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

*(2) Testing the significance of insurance risk*

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% at certain points of time during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is the percentage of the benefits to be paid when the insured event occurs divided by the amounts to be paid when the insured event does not occur minus 100%.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is obtained by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of a similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

*(3) Operating lease – As the lessor*

The Group, as the lessor, signs agreements with lessees when the investment properties are leased. According to the term of the lease agreement, the Group retains the substantially all the rewards and risks of the ownership of investment properties. So the Group accounts for the lease as an operating lease.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### Estimation uncertainty

*(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts*

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

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

The judgments exercised in the valuation of insurance contract liabilities (including contracts with discretionary participating feature ("DPF")) affect the amounts recognized in the condensed consolidated interim financial information as insurance contract benefits and insurance contract liabilities. The various assumptions are described in Note 9.

*(2) Fair value of financial assets*

The Group's principal investments are debt financial assets, equity financial assets and term deposits. The significant judgments and estimates are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either prices observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market. The fair value of the Group's debt financial assets is based on the closing price of the last trading day of the period released by the Securities Exchange and national inter-bank bond market or the price released by China Central Depository & Clearing Co., Ltd.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

**Estimation uncertainty (Continued)**

*(2) Fair value of financial assets (Continued)*

- Equity financial assets: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using an appropriate price earnings ratio, or a modified price or cash flow ratio reflecting the specific circumstances of the issuer. The fair value of the Group's equity financial assets is based on the closing price of the last trading day of the period released by the Securities Exchange and funding companies or the net asset value of the last trading day of the period.

- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Fair value approximate their carrying amounts.

- Other financial assets: The fair values of other financial assets, including investment clearing account and litigation deposit, approximate their carrying amounts.

*(3) Impairment of available-for-sale financial assets*

The Group classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes judgements about the decline in value to determine whether there is an impairment that should be recognized in profit or loss.

*(4) Deferred income tax assets*

Deferred income tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Significant judgment is required to estimate the amount and timing of future taxable profit so as to determine, together with the tax planning strategies, the amount of deferred income tax assets to be recognized.

*(5) Contingencies and provisions*

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Mr. GUAN Guoliang Irregularities as described in Note 3(6) below; and pending lawsuits and disputes (Note 13). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

### Estimation uncertainty (Continued)

*(6) Former Chairman Mr. GUAN Guoliang Irregularities*

The former chairman Mr. GUAN Guoliang of the Company, who served as chairman from 1998 to 2006 (the "Former Chairman Mr. GUAN Guoliang"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Mr. GUAN Guoliang Irregularities") and was sentenced by the Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared based on the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman Mr. GUAN Guoliang, without proper authorization, pledged the Company's bonds and conducted repurchase transactions ("Off-balance Sheet Repurchase Transactions"). Funds were misappropriated through bank accounts which were not reflected in the Company's financial records (the "Off-balance Sheet Accounts") and used for unauthorized lending. The Company was informed of these Off-balance Sheet Repurchase Transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance Sheet Repurchase Transactions.

In 2015, the Company received RMB170 million plus additional interest accrued during the settlement period from New Industry. The amount was related to the 170 million shares of China Minzu Securities Co., Ltd. which were entrusted by New Industry in 2001 and 2002. According to the information available to the Company, the Company believed the amounts received from New Industry should form part of the receivables of the Former Chairman Mr. GUAN Guoliang Irregularities.

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. ("Tianhuan Real Estate") during the term of office of Former Chairman Mr. GUAN Guoliang, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. ("New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and related interest to the Company while New China Trust was not held responsible. Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

**Estimation uncertainty (Continued)**

*(6) Former Chairman Mr. GUAN Guoliang Irregularities (Continued)*

On 13 May 2014, the Supreme People's Court rejected Tianhuan Real Estate's appeal and upheld the verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate for payment. On 24 November 2015, Beijing No.2 Intermediate People's Court deducted RMB16 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun Co., Ltd. and issued a plan. On 25 May 2016, the Company received RMB16 million.

The Company does not have complete information regarding these Off-balance Sheet Repurchase Transactions or cash flows to or from those Off-balance Sheet Accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB915 million as receivable from Off-balance Sheet Repurchase Transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management judged there has been significant uncertainty in recovering the balance and a provision of RMB915 million was made as at 30 June 2017 (as at 31 December 2016: RMB915 million).

*(7) Taxation*

The Group pays value added tax, business tax, corporate income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during the normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimates of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amounts, the difference will impact current tax and deferred tax.

## 4 CHANGE OF SIGNIFICANT ACCOUNTING ESTIMATES

Insurance contract liabilities are calculated using various actuarial assumptions, including assumptions on the discount rates, mortality rates, morbidity rates, lapse rates, policy dividend and expenses assumption.

These assumptions are determined by the Group on the basis of information obtained at the end of the reporting period. The Group resets these assumptions, when necessary, based on current information available at the end of the reporting period. Variations of related insurance contract reserves due to changes in these assumptions are recognized in the condensed consolidated statement of comprehensive income. For the six months ended 30 June 2017, long-term insurance contract liabilities increased by RMB1,994 million, and profit before income tax decreased by RMB1,994 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 29 August 2017.

## 5 RISK MANAGEMENT

The condensed consolidated interim financial information does not include all risk management information and disclosures required in the consolidated annual financial statements; they should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2016. There have been no changes in the Group's risk management process or in relevant risk management policies since 31 December 2016.

### (1) Insurance risk

#### *(a) Types of insurance risk*

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

The theory of probability shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, and the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

The Group offers long-term life insurance, critical illness insurance, annuity, accident and short-term health insurance products. Social and economic development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence on the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviors and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover most of the products with risk responsibilities. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

#### *(b) Concentration of insurance risk*

Currently, the Group's businesses are all in the PRC and insurance risk at each area has insignificant differences.

## 5 RISK MANAGEMENT (Continued)

### (2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department, accounting department and actuarial department are in close cooperation to identify, evaluate and avoid financial risks.

The Group manages financial risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 8.

#### *(a) Market risk*

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets impacted greatly by interest rate risk are principally comprised of term deposits and debt financial assets. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group tests and manages interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

(ii) Price risk

Price risk arises mainly from the price volatility of equity financial assets held by the Group. Prices of equity financial assets are determined by market forces. Most of the equity financial assets of the Group are in Chinese capital markets. The Group is subject to increased price risk largely because the PRC's stock markets are relatively volatile.

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

(iii) Currency risk

Currency risk arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group's currency risk exposure mainly arises from cash and cash equivalents, term deposits, debt financial assets and equity financial assets denominated in currencies other than the functional ones, such as the United States dollar or the Hong Kong dollar.

# 5 RISK MANAGEMENT (Continued)

## (2) Financial risk (Continued)

### *(b) Credit risk*

Credit risk is the risk that one party in a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In terms of investment vehicles, a significant portion of the portfolio of the Group is government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks, trust products, asset funding plans, asset management products and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as a monitoring measure in order to ensure that the whole credit risk exposure is manageable.

In response to counterparties' credit risk, the Group mainly took the following measures: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties was clearly defined in the investment guidelines and assets with high credit risk were prevented from being classified as held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analyzed and evaluated in order to enhance the predictability. In terms of counterparties, the majority of the Group's counterparties are state policy-related banks, state-owned banks, other national commercial banks or stated-owned asset management companies. Therefore, the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's condensed consolidated statement of financial position represents the maximum credit exposure without taking into account any collateral held or other credit enhancements attached.

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt financial assets of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to the terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The majority of debt investment plans and trust products and asset management products are guaranteed by third parties, or use the budgeted financial income of the central government as the source of funding for repayment.

## 5 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### (b) *Credit risk (Continued)*

Credit quality

The Group's debt financial assets include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds, subordinated bonds, trust products, asset funding plans, asset management products and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of asset funding plans, asset management products and debt investment plans are well-known trust companies and asset management companies in the PRC.

#### (c) *Liquidity risk*

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liability management to reduce liquidity risk (Note 5(2)(e)).

#### (d) *Risks relating to investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments*

The Group's investments in trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments are subject to the terms and conditions of the respective offering documents. The Group makes investment decisions after extensive due diligence of those underlying trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those investments mentioned above after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The carrying amount of investments in those trust products, bank wealth investment products, debt investment plans, equity investment plans, asset funding plans, asset management products, private equity and other unlisted equity investments is the best representation of the Group's maximum exposure to loss from those investments.

(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (2) Financial risk (Continued)

#### *(e) Matching risk of assets and liabilities*

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method. The Group uses the above techniques, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing a competitive cost structure.

### (3) Capital management

The Company's objectives for managing capital, which is actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the CIRC, are to comply with the insurance capital requirements of the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern from current and future capital management so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business structure, and the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

Pursuant to "Notification of Related Matters on Official Implementation of China Risk Oriented Solvency System" released by the CIRC, insurance companies should implement Insurance Institution Solvency Regulations (NO.1 to NO.17) ("C-ROSS") from 1 January 2016. The Company computes solvency ratio in accordance with C-ROSS, and recognizes, assesses and manages variant risks from 1 January 2016.

The table below summarises the core solvency margin ratio, comprehensive solvency margin ratio, core capital, actual capital and minimum capital of the Company:

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Core capital | **181,313** | 168,616 |
| Actual capital | **195,313** | 182,616 |
| Minimum capital | **66,590** | 64,917 |
| Core solvency margin ratio | **272.28%** | 259.74% |
| Comprehensive solvency margin ratio | **293.31%** | 281.30% |

## 5 RISK MANAGEMENT (Continued)

### (3) Capital management (Continued)

According to the results of the solvency ratios mentioned above, and the unquantifiable evaluation results of operational risk, strategic risk, reputational risk and liquidity risk, the CIRC evaluates the comprehensive solvency of insurance companies and supervises insurance companies in four categories:

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

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

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

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

According to Financial Department Letter [2017] No.1168 released by the Financial Department of the CIRC, "Notification on the results of the classification of regulatory evaluation in the first quarter of 2017", the latest comprehensive risk assessment result of the Company is A.

### (4) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

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

(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (4) Fair value hierarchy (Continued)

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

Under certain conditions, the Group may not receive any price from independent third party pricing service providers. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgments and experience.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers the original transaction price, recent transactions of the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The following table summarizes the quantitative inputs and assumptions used for financial instruments categorized in Level 3 of the fair value hierarchy as at 30 June 2017. The disclosure below excludes financial instruments of which the fair value approximates the carrying amount. This is the case because of the comprehensive influences from discount rate and credit spread of certain trust products and wealth investment products are quite low, and the fact that the development of interest rates or similar financial variables has not led to any significant change in fair value for the six months ended 30 June 2017.

| Available-for-sale financial assets | Fair value | Valuation technique | Significant unobservable inputs | Range | Relationship between unobservable inputs and fair value |
|---|---|---|---|---|---|
| Trust products | 59,698 | Discounted cash flow | Discount rate | 4.7%~8.0% | The higher the discount rate, the lower the fair value. |
| Wealth investment products | 77,876 | Discounted cash flow | Discount rate | 2.8%~5.4% | The higher the discount rate, the lower the fair value. |

(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (4) Fair value hierarchy (Continued)

*(a) Assets and liabilities measured at fair value*

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 30 June 2017:

| | Inputs to fair value measurement | | | |
|---|---|---|---|---|
| **As at 30 June 2017 (Unaudited)** | **Quoted prices in active markets Level 1** | **Significant observable inputs Level 2** | **Significant unobservable inputs Level 3** | **Total** |
| **Assets** | | | | |
| Available-for-sale financial assets | | | | |
| – Equity financial assets | 85,587 | 1,192 | 500 | 87,279 |
| – Debt financial assets | 294 | 58,587 | 137,654 | 196,535 |
| Financial assets at fair value through profit or loss | | | | |
| Held for trading | | | | |
| – Equity financial assets | 4,435 | 12 | – | 4,447 |
| – Debt financial assets | 377 | 678 | – | 1,055 |
| **Total** | 90,693 | 60,469 | 138,154 | 289,316 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | – | 9 | – | 9 |
| Unit-linked contracts | – | 244 | – | 244 |
| **Total** | – | 253 | – | 253 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (4) Fair value hierarchy (Continued)

*(a) Assets and liabilities measured at fair value (Continued)*

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value as at 31 December 2016:

| | Inputs to fair value measurement | | | |
|---|---|---|---|---|
| As at 31 December 2016 | Quoted prices in active markets Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
| **Assets** | | | | |
| Available-for-sale financial assets | | | | |
| – Equity financial assets | 80,240 | 1,032 | 500 | 81,772 |
| – Debt financial assets | 1,806 | 43,499 | 133,740 | 179,045 |
| Financial assets at fair value through profit or loss | | | | |
| Held for trading | | | | |
| – Equity financial assets | 8,398 | 32 | – | 8,430 |
| – Debt financial assets | 317 | 499 | – | 816 |
| Designated as at fair value through profit or loss | | | | |
| – Debt financial assets | – | – | 2,588 | 2,588 |
| **Total** | 90,761 | 45,062 | 136,828 | 272,651 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | – | 9 | – | 9 |
| Unit-linked contracts | – | 251 | – | 251 |
| **Total** | – | 260 | – | 260 |

(All amounts in RMB million unless otherwise stated)

# 5 RISK MANAGEMENT (Continued)

## (4) Fair value hierarchy (Continued)

### *(a) Assets and liabilities measured at fair value (Continued)*

The Group recognized the transfers between each level at the time when transfers occurred.

The following table presents the transfers between Level 1 and Level 2 for the six months ended 30 June 2017 and for the year ended 31 December 2016:

| **For the six months ended 30 June 2017 (Unaudited)** | **Level 1** | **Level 2** |
|---|---|---|
| Available-for-sale financial assets | | |
| Equity financial assets | | |
| – Transfer in | **594** | **199** |
| – Transfer out | **(199)** | **(594)** |
| Debt financial assets | | |
| – Transfer in | **–** | **1,603** |
| – Transfer out | **(1,603)** | **–** |
| Financial assets at fair value through profit or loss | | |
| Held for trading | | |
| Equity financial assets | | |
| – Transfer in | **5** | **–** |
| – Transfer out | **–** | **(5)** |

| For the year ended 31 December 2016 | Level 1 | Level 2 |
|---|---|---|
| Available-for-sale financial assets | | |
| Equity financial assets | | |
| – Transfer in | 1,028 | 634 |
| – Transfer out | (634) | (1,028) |
| Debt financial assets | | |
| – Transfer in | 552 | – |
| – Transfer out | – | (552) |
| Financial assets at fair value through profit or loss | | |
| Held for trading | | |
| Equity financial assets | | |
| – Transfer in | – | 12 |
| – Transfer out | (12) | – |

(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (4) Fair value hierarchy (Continued)

#### *(a) Assets and liabilities measured at fair value (Continued)*

The above transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets at the balance sheet date.

There were no transfers into or out of Level 3 for the six months ended 30 June 2017 and for the year ended 31 December 2016.

The changes in Level 3 financial assets are analyzed below:

| | Available-for-sale financial assets | | | Financial assets at fair value through profit or loss | |
|---|---|---|---|---|---|
| | Equity financial assets | Debt financial assets | Subtotal | Designated as at fair value through profit or loss | Total |
| **1 January 2016** | 500 | 67,159 | 67,659 | 2,588 | 70,247 |
| Purchase | – | 91,599 | 91,599 | – | 91,599 |
| Maturity | – | (25,018) | (25,018) | – | (25,018) |
| **31 December 2016** | 500 | 133,740 | 134,240 | 2,588 | 136,828 |
| **1 January 2017** | **500** | **133,740** | **134,240** | **2,588** | **136,828** |
| Purchase | **–** | **67,679** | **67,679** | **–** | **67,679** |
| Maturity | **–** | **(63,765)** | **(63,765)** | **(2,588)** | **(66,353)** |
| **30 June 2017 (Unaudited)** | **500** | **137,654** | **138,154** | **–** | **138,154** |

There are no material gains or losses recognized in other comprehensive income or profit or loss for the six months ended 30 June 2017 that are attributable to level 3 financial assets held by the Group as at 30 June 2017 (as at 31 December 2016: same).

(All amounts in RMB million unless otherwise stated)

## 5 RISK MANAGEMENT (Continued)

### (4) Fair value hierarchy (Continued)

#### *(b) Assets and liabilities for which fair values are disclosed*

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity investments, loans and receivables, financial assets sold under agreements to repurchase, and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate their fair values, except for held-to-maturity investments, loans and receivables and borrowings, which are all categorized in Level 3.

The following tables provide the Group's assets and liabilities not measured at fair value as at 30 June 2017 and 31 December 2016:

| **As at 30 June 2017 (Unaudited)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Held-to-maturity | **16,575** | **193,614** | **–** | **210,189** |
| Loans and receivables | **–** | **–** | **56,659** | **56,659** |
| **Total** | **16,575** | **193,614** | **56,659** | **266,848** |
| **Liabilities** | | | | |
| Borrowings | **–** | **14,053** | **–** | **14,053** |
| **Total** | **–** | **14,053** | **–** | **14,053** |

| As at 31 December 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Held-to-maturity | 19,587 | 186,446 | – | 206,033 |
| Loans and receivables | – | – | 54,235 | 54,235 |
| Investment properties | – | – | 4,421 | 4,421 |
| **Total** | 19,587 | 186,446 | 58,656 | 264,689 |
| **Liabilities** | | | | |
| Borrowings | – | 14,100 | – | 14,100 |
| **Total** | – | 14,100 | – | 14,100 |

The Group has not disclosed fair values for certain investment contract liabilities with DPF because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 6 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2017 are the same with the segments of the Group for the six months ended 30 June 2016 and the year ended 31 December 2016.

| | For the six months ended 30 June 2017 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Insurance | | Others | Elimination | Total |
| | Individual | Group | | | |
| **Revenues** | | | | | |
| Gross written premiums and policy fees | 59,832 | 1,441 | – | – | 61,273 |
| Less: premiums ceded out | (525) | (111) | – | – | (636) |
| **Net written premiums and policy fees** | 59,307 | 1,330 | – | – | 60,637 |
| Net change in unearned premiums liabilities | 26 | (480) | – | – | (454) |
| **Net premiums earned and policy fees** | 59,333 | 850 | – | – | 60,183 |
| Investment income | 15,689 | 157 | 45 | 2 | 15,893 |
| Including: inter-segment revenue | (2) | – | – | 2 | – |
| Other income | 88 | 4 | 337 | (242) | 187 |
| Including: inter-segment revenue | 8 | 1 | 233 | (242) | – |
| **Total revenues** | 75,110 | 1,011 | 382 | (240) | 76,263 |
| **Benefits, claims and expenses** | | | | | |
| Insurance benefits and claims | | | | | |
| Claims and net change in outstanding claims liabilities | (326) | (370) | – | – | (696) |
| Life insurance death and other benefits | (44,526) | (87) | – | – | (44,613) |
| Increase in long-term insurance contract liabilities | (8,560) | (50) | – | – | (8,610) |
| Investment contract benefits | (495) | (112) | – | – | (607) |
| Commission and brokerage expenses | (8,579) | (217) | – | – | (8,796) |
| Administrative expenses | (6,231) | (725) | (235) | 242 | (6,949) |
| Including: inter-segment expenses | (208) | (24) | (10) | 242 | – |
| Other expenses | (67) | (10) | (195) | – | (272) |
| **Total benefits, claims and expenses** | (68,784) | (1,571) | (430) | 242 | (70,543) |
| Share of profits and losses of associates and joint ventures | 117 | 1 | – | – | 118 |
| Finance costs | (782) | (177) | – | – | (959) |
| **Net profit before income tax** | 5,661 | (736) | (48) | 2 | 4,879 |
| **Other segment information:** | | | | | |
| Depreciation and amortization | (289) | (33) | (11) | – | (333) |
| Interest income | 13,206 | 135 | 29 | 2 | 13,372 |
| Impairment | (709) | (10) | – | – | (719) |
| Share of profits and losses of associates and joint ventures under the equity method | 117 | 1 | – | – | 118 |
| Capital expenditure | – | – | 604 | – | 604 |

(All amounts in RMB million unless otherwise stated)

## 6 SEGMENT INFORMATION (Continued)

| | For the six months ended 30 June 2016 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Insurance | | Others | Elimination | Total |
| | Individual | Group | | | |
| **Revenues** | | | | | |
| Gross written premiums and policy fees | 70,058 | 1,023 | – | – | 71,081 |
| Less: premiums ceded out | (350) | (96) | – | – | (446) |
| **Net written premiums and policy fees** | 69,708 | 927 | – | – | 70,635 |
| Net change in unearned premiums liabilities | (55) | (232) | – | – | (287) |
| **Net premiums earned and policy fees** | 69,653 | 695 | – | – | 70,348 |
| Investment income | 15,762 | 167 | (18) | 344 | 16,255 |
| Including: inter-segment revenue | (5) | – | (339) | 344 | – |
| Other income | 279 | 10 | 392 | (234) | 447 |
| Including: inter-segment revenue | 3 | (1) | 232 | (234) | – |
| **Total revenues** | 85,694 | 872 | 374 | 110 | 87,050 |
| **Benefits, claims and expenses** | | | | | |
| Insurance benefits and claims | | | | | |
| Claims and net change in outstanding claims liabilities | (270) | (258) | – | – | (528) |
| Life insurance death and other benefits | (45,934) | (142) | – | – | (46,076) |
| Increase in long-term insurance contract liabilities | (21,139) | (23) | – | – | (21,162) |
| Investment contract benefits | (502) | (28) | – | – | (530) |
| Commission and brokerage expenses | (7,238) | (183) | – | – | (7,421) |
| Administrative expenses | (5,851) | (502) | (199) | 233 | (6,319) |
| Including: inter-segment expenses | (211) | (18) | (4) | 233 | – |
| Other expenses | (95) | (25) | (53) | – | (173) |
| **Total benefits, claims and expenses** | (81,029) | (1,161) | (252) | 233 | (82,209) |
| Share of profits and losses of associates and joint ventures | 55 | 1 | (17) | – | 39 |
| Finance costs | (613) | (35) | – | – | (648) |
| **Net profit before income tax** | 4,107 | (323) | 105 | 343 | 4,232 |
| **Other segment information:** | | | | | |
| Depreciation and amortization | (251) | (21) | (8) | – | (280) |
| Interest income | 13,102 | 147 | (27) | – | 13,222 |
| Impairment | (427) | (15) | – | – | (442) |
| Share of profits and losses of associates and joint ventures under the equity method | 55 | 1 | (17) | – | 39 |
| Capital expenditure | – | – | 877 | – | 877 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities as at 30 June 2017 and 31 December 2016:

| | Insurance | | Others | Elimination | Total |
|---|---|---|---|---|---|
| **As at 30 June 2017 (Unaudited)** | **Individual** | **Group** | | | |
| Segment assets | **677,492** | **7,042** | **20,836** | **(50)** | **705,320** |
| Segment liabilities | **617,796** | **6,715** | **19,130** | **(50)** | **643,591** |

| | Insurance | | Others | Elimination | Total |
|---|---|---|---|---|---|
| As at 31 December 2016 | Individual | Group | | | |
| Segment assets | 672,883 | 6,427 | 20,023 | (152) | 699,181 |
| Segment liabilities | 616,121 | 6,317 | 17,770 | (152) | 640,056 |

## 7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are as follows:

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| **Associates** | | |
| China Jinmao Holdings Group Limited ("China Jinmao") | **3,023** | 2,833 |
| Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")(i) | **773** | 757 |
| New China Capital International Management Limited ("New China Capital International") | **54** | 56 |
| Beijing MJ Health Screening Center Co., Ltd. ("MJ Health") | **5** | 15 |
| Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou") | **199** | 199 |
| **Joint venture** | | |
| New China Life Excellent Health Investment Management Co., Ltd. ("New China Health") | **694** | 715 |
| Total | **4,748** | 4,575 |

(i) As approved by shareholders in the fifth extraordinary general meeting on 23 August 2011, the Company plans to sell entire 24% of its shares in Zijin Century. As of the date of the interim condensed consolidated financial statements, the Company has not signed any sales agreement.

(All amounts in RMB million unless otherwise stated)

## 7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

There are no contingent liabilities relating to the Group's interests in the associates and joint ventures.

Except China Jinmao, the above investments in associates and joint ventures are non-public entities, and there is no quoted market price available. As at 30 June 2017, the stock price of China Jinmao was HKD3.22 per share.

Except China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort by management of the Group in translating their Chinese names as they do not have official English names.

## 8 FINANCIAL ASSETS

### (1) Held-to-maturity investments

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Debt financial assets | | |
| Government bonds | **71,325** | 62,359 |
| Financial bonds | **34,684** | 34,639 |
| Corporate bonds | **45,122** | 42,913 |
| Subordinated bonds | **54,715** | 55,215 |
| Total | **205,846** | 195,126 |
| Debt financial assets | | |
| Listed | **65,564** | 53,763 |
| Unlisted | **140,282** | 141,363 |
| Total | **205,846** | 195,126 |

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges and include both debt financial assets traded in the interbank market and debt financial assets not publicly traded.

The due dates of debt financial assets which are classified as held-to-maturity investments are as follows:

| **Maturity** | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Within 1 year (including 1 year) | **9,981** | 6,730 |
| After 1 year but within 3 years (including 3 years) | **28,878** | 27,898 |
| After 3 years but within 5 years (including 5 years) | **26,424** | 26,047 |
| After 5 years | **140,563** | 134,451 |
| Total | **205,846** | 195,126 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 8 FINANCIAL ASSETS (Continued)

### (2) Available-for-sale financial assets

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Debt financial assets | | |
| Government bonds | **538** | 300 |
| Financial bonds | **16,283** | 3,523 |
| Corporate bonds | **26,126** | 28,917 |
| Subordinated bonds | **12,300** | 12,565 |
| Perpetual bonds | **5,000** | 5,000 |
| Trust products | **59,698** | 62,534 |
| Wealth investment products | **77,876** | 71,126 |
| Asset management plans | **80** | 80 |
| Negotiable certificates of deposit | **3,634** | – |
| Subtotal | **201,535** | 184,045 |
| Equity financial assets | | |
| Funds | **43,036** | 39,105 |
| Stock | **28,860** | 27,642 |
| Preferred stock | **1,192** | 1,256 |
| Asset management plans | **14,191** | 13,769 |
| Private equity | **3,825** | 2,728 |
| Equity investment plans | **3,700** | 3,700 |
| Other unlisted equity investments | **11,073** | 11,063 |
| Subtotal | **105,877** | 99,263 |
| Total | **307,412** | 283,308 |
| Debt financial assets | | |
| Listed | **6,259** | 5,980 |
| Unlisted | **195,276** | 178,065 |
| Subtotal | **201,535** | 184,045 |
| Equity financial assets | | |
| Listed | **34,507** | 33,827 |
| Unlisted | **71,370** | 65,436 |
| Subtotal | **105,877** | 99,263 |
| Total | **307,412** | 283,308 |

(All amounts in RMB million unless otherwise stated)

## 8 FINANCIAL ASSETS (Continued)

### (2) Available-for-sale financial assets (Continued)

The due dates of debt financial assets which are classified as available-for-sale financial assets are as follows:

| Maturity | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Within 1 year (including 1 year) | **20,821** | 80,542 |
| After 1 year but within 3 years (including 3 years) | **75,055** | 37,636 |
| After 3 years but within 5 years (including 5 years) | **70,858** | 39,402 |
| After 5 years | **34,801** | 26,465 |
| Total | **201,535** | 184,045 |

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded in the interbank market and financial assets not publicly traded.

(All amounts in RMB million unless otherwise stated)

## 8 FINANCIAL ASSETS (Continued)

### (3) Financial assets at fair value through profit or loss

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Held for trading | | |
| Debt financial assets | | |
| Government bonds | **285** | 216 |
| Financial bonds | **18** | 19 |
| Corporate bonds | **340** | 168 |
| Subordinated bonds | **412** | 413 |
| Debt financial assets subtotal | **1,055** | 816 |
| Equity financial assets | | |
| Funds | **4,114** | 7,924 |
| Stocks | **333** | 506 |
| Equity financial assets subtotal | **4,447** | 8,430 |
| Subtotal | **5,502** | 9,246 |
| Designated as at fair value through profit or loss | | |
| Debt financial assets | | |
| Asset management plans | **–** | 2,588 |
| Debt financial assets subtotal | **–** | 2,588 |
| Subtotal | **–** | 2,588 |
| Total | **5,502** | 11,834 |
| Debt financial assets | | |
| Listed | **378** | 317 |
| Unlisted | **677** | 3,087 |
| Subtotal | **1,055** | 3,404 |
| Equity financial assets | | |
| Listed | **973** | 992 |
| Unlisted | **3,474** | 7,438 |
| Subtotal | **4,447** | 8,430 |
| Total | **5,502** | 11,834 |

The unlisted financial assets refer to debt/equity financial assets not traded on stock exchanges and include both debt financial assets traded on the interbank market and financial assets not publicly traded.

(All amounts in RMB million unless otherwise stated)

## 8 FINANCIAL ASSETS (Continued)

### (4) Loans and receivables

| | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|
| Asset funding plans (i) | **20,000** | 20,000 |
| Debt investment plans (ii) | **35,259** | 32,835 |
| Subordinated debt | **1,400** | 1,400 |
| Total | **56,659** | 54,235 |

(i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan ("Orient No.1 Funding Plan") and New China Life – Huarong No.1 Asset Funding Plan ("Huarong No.1 Funding Plan").

Orient No.1 Funding Plan was set up by the Group in April 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group's exposure is limited to the outstanding principal and interest. Under this 10-year funding plan, China Orient Asset Management Co. ("Orient Asset") should repay the principal and interest when due. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset which were verified by the plan manager of the funding plan are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for this funding plan.

Huarong No.1 Funding Plan was set up by the Group in December 2013. The aggregate principal amount is RMB10,000 million. With the funding plan, the Group disburses loans to the party mentioned below. The Group's exposure is limited to the outstanding principal and interest. Under this 7-year funding plan, China Huarong Asset Management Co. ("Huarong Asset") should repay the principal and interest when due. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset which were verified by the plan manager of the funding plan, which are co-managed by Huarong Asset, the trustee and the plan manager. This co-management serves as a credit enhancement for this funding plan.

(ii) Debt investment plans mainly consist of infrastructure and property, plant and equipment funding projects. All projects are with fixed terms, and most of them are usually with a period of 3 years to 10 years.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 8 FINANCIAL ASSETS (Continued)

### (5) Term deposits

The due dates of the term deposits are as follows:

| Maturity | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|
| Within 1 year (including 1 year) | **15,036** | 45,036 |
| After 1 year but within 3 years (including 3 years) | **7,000** | 9,209 |
| After 3 years but within 5 years (including 5 years) | **25,600** | 19,100 |
| More than 5 years | **–** | 6,500 |
| Total | **47,636** | 79,845 |

## 9 INSURANCE CONTRACT LIABILITIES

### (1) Process used to determine assumptions

*(a) Discount rate assumption*

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on the computation of liabilities.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolios and the trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates of the Group as at 30 June 2017 and 31 December 2016 are as follows:

| | Discount rate assumption |
|---|---|
| 30 June 2017 (Unaudited) | **4.50%~5.00%** |
| 31 December 2016 | 4.50%~5.00% |

(All amounts in RMB million unless otherwise stated)

## 9 INSURANCE CONTRACT LIABILITIES (Continued)

### (1) Process used to determine assumptions (Continued)

*(a) Discount rate assumption (Continued)*

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses the discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on the "China Bond" website, with consideration of liquidity spreads, taxation impacts and other relevant factors. The expected discount rates of the Group as at 30 June 2017 and 31 December 2016 are as follows:

| | Discount rate assumption |
|---|---|
| 30 June 2017 (Unaudited) | **3.16%~6.20%** |
| 31 December 2016 | 3.23%~5.32% |

The discount rate assumption is affected by certain factors, such as future macro-economy, currency and foreign exchange policies, capital market and availability of investment channel of insurance funds, with significant uncertainty exists. The Group determines the discount rate assumption based on the information obtained at the end of each reporting period.

*(b) Mortality and morbidity assumption*

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in the future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed the assumption used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions on the China Life Insurance Major Diseases Experience Morbidity Rate Table (2006 – 2010) for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in the morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illnesses, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(All amounts in RMB million unless otherwise stated)

## 9 INSURANCE CONTRACT LIABILITIES (Continued)

### (1) Process used to determine assumptions (Continued)

*(c) Expenses assumption*

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation, expressed on both pre-policy/insured and a percent-of-premium basis. The Group's expenses assumption is affected by certain factors, such as inflation and market competition. The Group determines expenses assumption based on the information obtained at the end of each reporting period.

| | Individual life insurance | | Group life insurance | |
|---|---|---|---|---|
| | **RMB per policy** | **% of premium** | **RMB per insured** | **% of premium** |
| 30 June 2017 (Unaudited) | **75-95** | **0.90%-1.40%** | **50** | **0.20%** |
| 31 December 2016 | 75-95 | 0.90%-1.40% | 50 | 0.20% |

*(d) Policy dividend assumption*

Policy dividend assumption is determined based upon contract terms, the investment yields of the participating account, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

*(e) Lapse rate and other assumptions*

The lapse rate and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rate and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting.

(All amounts in RMB million unless otherwise stated)

## 9 INSURANCE CONTRACT LIABILITIES (Continued)

### (2) Net liabilities of insurance contracts

| | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|
| **Gross** | | |
| Long-term insurance contract liabilities | **551,931** | 541,424 |
| Short-term insurance contract liabilities | | |
| – Outstanding claims liabilities | **672** | 640 |
| – Unearned premiums liabilities | **1,644** | 1,164 |
| Total, gross | **554,247** | 543,228 |
| **Recoverable from reinsurers** | | |
| Long-term insurance contracts | **(1,945)** | (1,878) |
| Short-term insurance contracts | | |
| – Outstanding claims liabilities | **(19)** | (38) |
| – Unearned premiums liabilities | **(83)** | (57) |
| Total, ceded | **(2,047)** | (1,973) |
| **Net** | | |
| Long-term insurance contract liabilities | **549,986** | 539,546 |
| Short-term insurance contract liabilities | | |
| – Outstanding claims liabilities | **653** | 602 |
| – Unearned premiums liabilities | **1,561** | 1,107 |
| **Total, net** | **552,200** | 541,255 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 10 LIABILITIES OF INVESTMENT CONTRACTS

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Investment contracts excluding unit-linked contracts | **32,591** | 29,820 |
| Unit-linked contracts | **244** | 251 |
| Total | **32,835** | 30,071 |

## 11 BORROWINGS

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debts in an aggregated principal amount of RMB10,000 million, and with an interest rate of 4.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 6.6% per annum beginning in the sixth year until the maturity date. The Company decided to redeem the above subordinated debts on July 2017.

Upon the approval of the CIRC in November 2014, the Company completed an offering of 10-year subordinated debts in an aggregate principal amount of RMB4,000 million, and with an interest rate of 5.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 7.6% per annum beginning in the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debts is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 12 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| By market | | |
| Inter-bank market | **3,000** | 6,531 |
| Stock exchange | **26,757** | 32,715 |
| Total | **29,757** | 39,246 |
| By collateral | | |
| Bonds | **29,757** | 39,246 |
| Total | **29,757** | 39,246 |

| **Maturity** | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Within 3 months (including 3 months) | **29,757** | 39,246 |
| Total | **29,757** | 39,246 |

As at 30 June 2017, bonds with par value of RMB3,333 million (as at 31 December 2016: RMB6,563 million) were pledged as collateral for financial assets sold under agreements to repurchase resulting from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted from trading during the period of the repurchase transactions.

For debt repurchase transactions through the stock exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 30 June 2017, the amount of financial assets deposited in the collateral pool amounted to RMB63,668 million (as at 31 December 2016: RMB57,103 million).The collateral is restricted from trading during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of certain bonds is no less than the balance of the related repurchase transactions.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 13 PROVISIONS

| | Lawsuits and disputes |
|---|---|
| As at 1 January 2017 | 29 |
| Increase | – |
| Decrease | – |
| As at 30 June 2017 (Unaudited) | 29 |

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking into consideration specific circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depend on the final investigation, judgement and settlement amounts, thus they may differ from the current provision.

## 14 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1. The Company's number of shares is as follows:

| | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|
| Number of shares registered, issued and fully paid at RMB1 per share (million) | 3,120 | 3,120 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 15 RESERVES

| | As at 30 June 2017 Unaudited | As at 31 December 2016 |
|---|---|---|
| Share premium | **23,964** | 23,964 |
| Other reserve | **(5)** | (45) |
| Unrealized income | **1,745** | 921 |
| Surplus reserve | **3,403** | 3,403 |
| Reserve for general risk | **3,403** | 3,403 |
| Total | **32,510** | 31,646 |

## 16 GROSS WRITTEN PREMIUMS AND POLICY FEES

| | For the six months ended 30 June | |
|---|---|---|
| | **2017 Unaudited** | 2016 Unaudited |
| Gross written premiums | | |
| – Long-term insurance contracts | **59,009** | 69,127 |
| – Short-term insurance contracts | **2,230** | 1,908 |
| Subtotal | **61,239** | 71,035 |
| Policy fees | | |
| – Investment contracts | **34** | 46 |
| Gross written premiums and policy fees | **61,273** | 71,081 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 17 INVESTMENT INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2017 Unaudited** | 2016 Unaudited |
| Interest income from bank deposits | **1,641** | 3,136 |
| Held-to-maturity investments | | |
| – Interest income | **4,388** | 4,172 |
| Available-for-sale financial assets | | |
| – Interest income | **4,724** | 3,613 |
| – Dividend income | **2,474** | 2,636 |
| – Net realized gains | **676** | 363 |
| – Impairment losses on equity financial assets | **(716)** | (458) |
| Interest income from loans and receivables | **1,764** | 1,685 |
| Interest income from policy loans | **557** | 493 |
| Effect of the introduction of strategic investors to New China Health | **–** | 481 |
| Financial assets at fair value through profit or loss | | |
| – Interest income | **243** | 117 |
| – Fair value gains/(losses) | **138** | (175) |
| – Dividend income | **36** | 203 |
| – Net realised losses | **(87)** | (18) |
| Interest income from financial assets purchased under agreements to resell | **55** | 6 |
| Others | **–** | 1 |
| Total | **15,893** | 16,255 |

## 18 ADMINISTRATIVE EXPENSES

| | For the six months ended 30 June | |
|---|---|---|
| | **2017 Unaudited** | 2016 Unaudited |
| Employee benefit expenses (including directors' emoluments) | **5,446** | 4,750 |
| Operating lease expense | **403** | 381 |
| Depreciation and amortization | **284** | 245 |
| Entertainment fees | **153** | 121 |
| Travel and conference fees | **135** | 113 |
| Insurance guarantee fund | **110** | 120 |
| Official fees | **109** | 97 |
| Electronic equipment operating costs | **61** | 54 |
| Advertising fees | **49** | 43 |
| Postal fees | **48** | 52 |
| Promotional printing costs | **44** | 49 |
| Supervision fees | **24** | 47 |
| Vehicle use fees | **19** | 20 |
| Auditors' remuneration and consulting fees | **5** | 9 |
| Others | **59** | 218 |
| Total | **6,949** | 6,319 |

(All amounts in RMB million unless otherwise stated)

## 19 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of income taxes shown below are taxes incurred in the PRC.

(1) The amount of income tax charged to the net profit represents:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| Current tax | **1,695** | 998 |
| Deferred tax | **(53)** | (100) |
| Total income tax | **1,642** | 898 |

(2) The reconciliation between the Group's effective tax rate and the mainly applicable tax rate of 25% in the PRC is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **Unaudited** | Unaudited |
| Profit before income tax | **4,879** | 4,232 |
| Tax computed at the statutory tax rate in China | **1,220** | 1,058 |
| Non-taxable income (i) | **(737)** | (843) |
| Expenses not deductible for tax purposes (i) | **1,156** | 667 |
| Effect of unrecognized deferred tax assets arising from deductible losses and deductible temporary differences | **6** | 18 |
| Adjustment to the current tax of prior years | **(2)** | – |
| Effect of different tax rate used by subsidiaries | **(1)** | (2) |
| Income taxes at effective tax rate | **1,642** | 898 |

(i) Non-taxable income mainly includes government bond interest income and funds dividend income. Expenses not deductible for tax purposes mainly include those expenses such as commission and brokerage expenses, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 19 TAXATION (Continued)

(3) The movements in deferred tax assets and deferred tax liabilities during the period are as follows:

| | Financial assets | Insurance liability and others | Total |
|---|---|---|---|
| Net deferred tax assets | | | |
| As at 1 January 2016 | (3) | 9 | 6 |
| (Charged)/credited to net profit | (3,549) | 2,850 | (699) |
| (Charged)/credited to other comprehensive income | 2,251 | (1,404) | 847 |
| (Charged)/credited to other reserve | – | 15 | 15 |
| As at 30 June 2016 (Unaudited) | (1,301) | 1,470 | 169 |
| Net deferred tax liabilities | | | |
| As at 1 January 2016 | (3,875) | 3,022 | (853) |
| (Charged)/credited to net profit | 3,875 | (3,076) | 799 |
| (Charged)/credited to other comprehensive income | – | – | – |
| As at 30 June 2016 (Unaudited) | – | (54) | (54) |
| Net deferred tax assets | | | |
| As at 1 January 2017 | **(1,047)** | **1,355** | **308** |
| (Charged)/credited to net profit | **(33)** | **86** | **53** |
| (Charged)/credited to other comprehensive income | **(715)** | **438** | **(277)** |
| (Charged)/credited to other reserve | **–** | **(13)** | **(13)** |
| As at 30 June 2017 (Unaudited) | **(1,795)** | **1,866** | **71** |
| Net deferred tax liabilities | | | |
| As at 1 January 2017 | **–** | **(54)** | **(54)** |
| (Charged)/credited to net profit | **–** | **–** | **–** |
| (Charged)/credited to other comprehensive income | **–** | **–** | **–** |
| As at 30 June 2017 (Unaudited) | **–** | **(54)** | **(54)** |

As at 30 June 2017, the Group recognized deferred income tax assets to the extent that it was probable that future taxable profits would be available against which the temporary differences could be utilized.

## 19 TAXATION (Continued)

(4) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable income is probable. The Group has no deductible temporary differences which no deferred tax asset is recognized. The amount of unused tax losses for which no deferred tax asset is recognized is as follows:

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Deductible losses | **339** | 364 |

## 20 EARNINGS PER SHARE

### (1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the period.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017 Unaudited** | 2016 Unaudited |
| Net profit attributable to shareholders of the Company (RMB in millions) | **3,237** | 3,333 |
| Weighted average number of ordinary shares issued (in millions) | **3,120** | 3,120 |
| Basic earnings per share (RMB) | **1.04** | 1.07 |

### (2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016 (unaudited): same).

## 21 DIVIDEND

Pursuant to a resolution approved at the shareholders' general meeting on 27 June 2017, a final dividend of RMB0.48 per ordinary share (inclusive of tax) totalling RMB1,497 million was declared.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (1) Related parties

The table set forth below summarises the significant related parties of the Company:

| Significant related parties | Relationships |
|---|---|
| New China Asset Management Co., Ltd. ("Asset Management Company") | Subsidiary of the Company |
| New China Asset Management (Hong Kong) Co., Ltd. ("Asset Management Company (Hong Kong)") | Subsidiary of the Company |
| New China Village Health Technology (Beijing) Co., Ltd. ("Health Technology") | Subsidiary of the Company |
| Xinhua Village Seniors Service (Beijing) Co., Ltd. ("Xinhua Seniors Service") | Subsidiary of the Company |
| Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate") | Subsidiary of the Company |
| New China Electronic Commerce Co., Ltd. ("Electronic Commerce") | Subsidiary of the Company |
| Hefei New China Life Supporting Construction Operation Management Co., Ltd. ("Hefei Supporting Operation") | Subsidiary of the Company |
| New China Excellent Pension Co., Ltd. ("New China Pension") | Subsidiary of the Company |
| Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors") | Subsidiary of the Company |
| Beijing Century Haoran Power Technology Development Co., Ltd. ("Haoran Power") | Subsidiary of the Company |
| Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong") | Subsidiary of the Company |
| Orient No.1 Funding Plan | Subsidiary of the Company |
| Huarong No.1 Funding Plan | Subsidiary of the Company |
| New China Asset Management – Mingdao Appreciation Asset Management Product ("Mingdao Fund") | Subsidiary of the Company |
| Lujiazui Trust – Zhongwei Thermoelectrivity Perpetual Bond | Subsidiary of the Company |
| Lujiazui Trust – Zhongwei New Energy Perpetual Bond | Subsidiary of the Company |
| New China Asset Management Mingde No.1 Asset Management Product ("Mingde Fund") | Subsidiary of the Company |
| New China Asset Management – Mingxin No.1 Asset Management Product ("Mingxin Fund") | Subsidiary of the Company |
| MJ Health | Associate of the Company |
| Zijin Century | Associate of the Company |
| New China Capital International | Associate of the Company |
| China Jinmao | Associate of the Company |
| Weiyuanzhou | Associate of the Company |
| New China Health | Joint venture of the Company |
| Central Huijin Investment Ltd. ("Huijin") | Shareholder that has significant influence over the Company |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Significant transactions with related parties

The table set forth below summarises significant transactions with related parties:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** **Unaudited** | 2016 Unaudited |
| Transactions between the Group and other related parties | | |
| – Interest from bonds issued by Huijin (i) | **15** | 15 |
| – Cash dividends received from MJ Health | **–** | 1 |
| – Cash dividends received from New China Capital International | **–** | 13 |
| – Cash dividends from China Jinmao (ii) | **83** | 71 |
| – Health check and service fee paid to New China Health (iii) | **8** | 7 |
| – Rent earned from New China Health (iv) | **5** | 3 |
| Transactions between the Company and its subsidiaries | | |
| – Capital contribution to Hainan Seniors | **–** | 203 |
| – Investment management fee to Asset Management Company (v) | **182** | 184 |
| – Capital contribution to Xinhua Seniors | **–** | 102 |
| – Investment management fee to Asset Management Company (Hong Kong) (v) | **31** | 26 |
| – Rent paid to Haoran Power (vi) | **15** | 16 |
| – Rent earned from Asset Management Company (iv) | **7** | 3 |
| – Information technology (“IT”) service fee paid to Electronic Commerce (vii) | **2** | 2 |
| – Conference and training fees paid to Health Technology (viii) | **3** | 2 |
| – Rent earned from New China Pension (iv) | **2** | – |
| – Capital contribution to Hefei Supporting Operation (Note 26(iii)) | **470** | – |
| – Capital contribution to New China Pension (Note 26(iv)) | **495** | – |
| – Liquidation of Yunnan New China Insurance Agency Co., Ltd. (“Yunnan New China”) (Note 26) | **2** | – |

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Significant transactions with related parties (Continued)

*(i) Bonds interest from Huijin*

Huijin became a shareholder of the Company in 2009 and directly held 31.34% of the Company's shares as at 30 June 2017. Huijin is a state-owned investment company approved by the State Council. The function of Huijin is to hold specific equity investments to the extent of capital contributions on behalf of the State Council in order to maintain and increase the value of state-owned assets. Huijin should not undertake any commercial activities or intervene routine operation of the investee. The Group and Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010 and 2015, the Company purchased bonds issued by Huijin at a par value of RMB300 million and RMB500 million from the inter-bank market respectively. As at 30 June 2017, the carrying value of these bonds was RMB800 million (as at 31 December 2016: RMB800 million). The recognised bonds interest for the six months ended 30 June 2017 was RMB15 million (for the six months ended 30 June 2016: RMB15 million).

*(ii) Cash dividends from China Jinmao*

On 7 June 2017, China Jinmao announced dividends distribution, and the cash dividends shared by the Group amounted to RMB83 million (for the six months ended 30 June 2016: RMB71 million).

*(iii) Health check and service fee paid to New China Health*

The Company entered into a contract with New China Health. According to the contract, the Company purchased health service from New China Health for underwriting review, employee welfare, marketing and agent incentive plan, etc. Approximately RMB8 million of expenses were incurred for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB7 million).

*(iv) Office rental contracts*

The Company leases part of the office building located in International City Unit AB at Wuhan, part of the office building located in Blue Ocean Unit A, Green Central Plaza at Hohhot, part of the office building located in European City at Nanjing and part of the office building located in Xianglong Building at Yantai to New China Health. The accrued rent revenue for the six months ended 30 June 2017 was RMB5 million (for the six months ended 30 June 2016: RMB3 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to Asset Management Company as its office. The accrued rent revenue for the six months ended 30 June 2017 was RMB7 million (for the six months ended 30 June 2016: RMB3 million).

The Company leases part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Pension as its office. The accrued rent revenue for the six months ended 30 June 2017 was RMB2 million (for the six months ended 30 June 2016: Nil).

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Significant transactions with related parties (Continued)

*(v) Investment management service agreement*

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2017. According to this agreement, Asset Management Company provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company. The Company has the right to deduct fees based on the performance of Asset Management Company or other reasons such as the violation of the agreement.

The Company and Asset Management Company (Hong Kong) entered into an annual investment management service agreement for entrusted investments in 2017. According to this agreement, Asset Management Company (Hong Kong) provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to Asset Management Company (Hong Kong). The Company has the right to deduct fees based on the performance of Asset Management Company (Hong Kong) or other reasons such as the violation of the agreement.

*(vi) Rent paid to Haoran Power*

The Company entered into a lease contract with Haoran Power on January, 2017. The contract shall be valid for six months. According to the contract, the Company rent part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing from Haoran Power. The accrued rent expense for the six months ended 30 June 2017 was RMB15 million (for the six months ended 30 June 2016: RMB16 million).

*(vii) IT service fee paid to Electronic Commerce*

On January 2017, the Company signed an annual framework agreement, a cooperation agreement and a supplementary agreement on cooperation with Electronic Commerce. According to the contract, Electronic Commerce would provide support on marketing on channel of cooperation, human outsourcing service, IT service and other e-commerce service. The service and management expenses totalling RMB2 million were accrued for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2 million).

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (2) Significant transactions with related parties (Continued)

*(viii) Conference and training fees paid to Health Technology*

The Company paid for conference and training service fees to Health Technology. Approximately RMB3 million of expenses were incurred for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2 million).

The office rentals of New China Health, Asset Management Company and New China Pension are based on the prices agreed by both of the deal. The investment management fees to Asset Management Company and Asset Management Company (Hong Kong) are calculated based on the negotiated service charge rates and the scale of investments. The health service fee to New China Health is based on the market price. The rent paid to Haoran Power is based on the price agreed by both of the deal. The IT service fee to Electronic Commerce and the conference and training fees to Health Technology are based on the prices agreed by transaction parties. All other transactions are calculated based on the negotiated prices between transaction parties.

### (3) Related party balances

| | Group | |
|---|---|---|
| Balances of related party transactions | **As at 30 June 2017 (Unaudited)** | As at 31 December 2016 |
| Interest receivable | | |
| Huijin | **24** | 9 |
| Dividends receivable | | |
| China Jinmao | **83** | – |
| Other receivables | | |
| New China Health | **8** | 8 |
| Other payables | | |
| New China Health | **5** | 2 |

(All amounts in RMB million unless otherwise stated)

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (3) Related party balances (Continued)

| | Company | |
|---|---|---|
| | **As at 30 June 2017 (Unaudited)** | As at 31 December 2016 |
| Receivables from subsidiaries | | |
| Hefei Supporting Operation | **–** | 236 |
| Xinhua Seniors Service | **300** | 348 |
| Hainan Seniors | **48** | 48 |
| Health Technology | **17** | 17 |
| New China Pension | **–** | 495 |
| Payables to subsidiaries | | |
| Asset Management Company | **33** | 132 |
| Asset Management Company (Hong Kong) | **17** | 15 |

No provisions are held against receivables from related parties.

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

### (4) Key management's remuneration

Key management members include directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017 Unaudited** | 2016 Unaudited |
| Payroll and welfare | **22** | 20 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (5) Transactions with state-owned enterprises

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

As at 30 June 2017, most of bank deposits were with state-owned banks, the issuers of debt financial assets held by the Group were mainly state-owned enterprises, and most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2017, a large portion of its group insurance business of the Group was with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; and most of the bank deposit interest income was from state-owned banks.

## 23 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses of the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 24 COMMITMENTS

### (1) Capital commitments

The Group had capital commitments for the purchase of property, plant, equipment and software, etc. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Contracted but not provided for | **1,564** | 1,541 |
| Authorized but not contracted for | **1,513** | 43 |
| Total | **3,077** | 1,584 |

### (2) Operating lease commitments

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

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Within 1 year (including 1 year) | **446** | 406 |
| Between 1 and 2 years (including 2 years) | **233** | 235 |
| Between 2 and 3 years (including 3 years) | **115** | 135 |
| After 3 years | **142** | 163 |
| Total | **936** | 939 |

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 24 COMMITMENTS (Continued)

### (3) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

| | **As at 30 June 2017 Unaudited** | As at 31 December 2016 |
|---|---|---|
| Within 1 year (including 1 year) | **187** | 165 |
| Between 1 and 5 years (including 5 years) | **284** | 265 |
| After 5 years | **8** | 8 |
| Total | **479** | 438 |

### (4) Investment commitments

The Group has signed contracts to purchase equity investments. As at 30 June 2017, a total amount of RMB1,173 million (unaudited) was disclosed as investment commitments contracted but not provided for (as at 31 December 2016: RMB2,007 million).

## 25 SUBSEQUENT EVENTS

On 12 June 2016, the eleventh meeting of executive committee of the Company approved the proposal on the plan of redeeming the subordinated debt issued in 2012 by the Company and agreed to redeem the wholly subordinated debt. The Company has redeemed the wholly subordinated debt on 18 July 2017.

(All amounts in RMB million unless otherwise stated)

## 26 INVESTMENTS IN SUBSIDIARIES

The basic information of the Company's subsidiaries as at 30 June 2017, all unlisted, is as follows:

| | Place of incorporation and operation | Principal activities | Registered/ committed capital | Group's interest |
|---|---|---|---|---|
| Asset Management Company | Beijing, China | Asset management | RMB500 million | 99.40% |
| Asset Management Company (Hong Kong) | Hong Kong, China | Asset management | HKD50 million | 99.64% |
| Health Technology | Beijing, China | Real estate property development and training | RMB632 million | 100% |
| Xinhua Seniors Service (i) | Beijing, China | Service | RMB664 million | 100% |
| Shanggu Real Estate | Beijing, China | Real estate property development | RMB15 million | 100% |
| Electronic Commerce (ii) | Beijing, China | Electronic commerce | RMB100 million | 100% |
| Hefei Supporting Operation (iii) | Hefei, China | Real estate property investment and management | RMB500 million | 100% |
| New China Pension (iv) | Beijing, China | Insurance service | RMB1 billion | 99.99% |
| Hainan Seniors (v) | Qionghai, China | Real estate | RMB1,908 million | 100% |
| Haoran Power (v) | Beijing, China | Technological development | RMB500 million | 100% |
| Guangzhou Yuerong | Guangzhou, China | Real estate property investment and management | RMB10 million | 100% |
| Orient No.1 Funding Plan | Not applicable | Project investment | RMB10 billion | 100% |
| Huarong No.1 Funding Plan | Not applicable | Project investment | RMB10 billion | 100% |
| Mingdao Fund | Not applicable | Project investment | RMB170 million | 94.12% |
| Lujiazui trust – Zhongwei Thermoelectricity Perpetual Bond | Not applicable | Project investment | RMB1 billion | 99.99% |
| Lujiazui trust – Zhongwei New Energy Perpetual Bond | Not applicable | Project investment | RMB4 billion | 99.99% |
| Mingde Fund | Not applicable | Project investment | RMB50 million | 99.99% |
| Mingxin Fund | Not applicable | Project investment | RMB500 million | 99.99% |

(i) The sixth meeting of the sixth session of the Board of Directors considered and approved the increased capital contribution of RMB300 million to Xinhua Seniors Service. Upon the capital contribution, the registered capital of Xinhua Seniors Service increased to RMB964 million. As at 31 December 2016, the Company has completed the cash contribution, and the Company's actual contribution was RMB964million. As at the date this report approved for issue by the Board of Directors, Xinhua Seniors Service has not registered the change yet.

(ii) On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company approved to increase the registered capital of Electronic Commerce from RMB100 million to RMB200 million. On 29 June 2017, the Company obtained the approval for contributing RMB100 million to increase Electronic Commerce's capital by the CIRC (Supervisor license [2017] No. 676). As at 30 June 2017, the Company hasn't paid the capital contribution and Electronic Commerce has not registered the change. As at the date this report approved for issue by the Board of Directors, the above item has been completed.

On 9 May 2017, the eighth meeting of executive committee of the Company has approved to change the registered legal representative of Electronic Commerce from Sun Yuchun to Yu Zhigang. On 10 March 2017, Electronic Commerce has registered the change.

For the six months ended 30 June 2017
(All amounts in RMB million unless otherwise stated)

## 26 INVESTMENTS IN SUBSIDIARIES (Continued)

(iii) On 20 December 2016, the Company's seventh meeting of the sixth session of the Board of Directors approved the proposal of "Increasing the registered capital of subsidiaries of Hefei Supporting Operation – related party transactions", which decided to increase the registered capital of Hefei Supporting Operation from RMB500 million to RMB3,200 million. The Company injected RMB330 million and RMB140 million on 28 February 2017 and 29 June 2017 respectively. As at 30 June 2017, the Company's actual contribution was RMB478 million. As at the date this report approved for issue by the Board of Directors, Hefei Supporting Operation has registered the change.

(iv) On 28 October 2016, the sixth meeting of the sixth session of the Board of Directors of the Company considered and approved the increased capital contribution to New China Pension. As at 31 December 2016, the Company has contributed the increased capital of RMB495 million and Asset Management Company has contributed the increased capital of RMB5 million to New China Pension. The total capital contribution from the Company and from Asset Management Company were RMB990 Million and RMB10 million, respectively. New China Pension has registered the change on 20 April 2017.

(v) On 9 May 2017, the eighth meeting of executive committee of the Company approved to change the registered legal representative of Hainan Seniors from Chen Jun to Wang Jue. On 29 June 2017, Hainan Seniors registered the change. On 7 February 2017, the third meeting of executive committee of the Company approved the request on the implementation of general manager responsibility system for some of the wholly-owned subsidiaries. The committee decided and approved that the general manager of Haoran Power acted as legal representative. On 18 May 2017, the registered legal representative of Haoran Power changed from Chi Yunqiang to Jiang Zongxu.

**The change of consolidation scope**

The fifteenth meeting of the executive committee of the Board of Directors of the Company in 2015 approved the "Reporting on the Dissolution of Yunnan New China Insurance Agency Co., Ltd." Yunnan New China has completed the liquidation report, the cancellation of the tax and the cancellation of the bank account. As at the date this report approved for issue by the Board of Directors, the cancellation of registration was still in process. The Group has not included Yunnan New China in the consolidation scope.

## 27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 29 August 2017.

95567

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