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: 01336

2019
INTERIM REPORT

NCI 新华保险

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IMPORTANT INFORMATION

1. The board of directors (the "**Board**"), the board of supervisors and the directors, supervisors and members of senior management of the Company warrant 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 Interim Report 2019 of the Company was considered and approved at the second meeting of the seventh session of the Board of the Company on 28 August 2019, which 11 directors were required to attend and 10 of them attended in person. Director YANG Yi authorized director XIONG Lianhua to attend the meeting and vote on behalf of him.

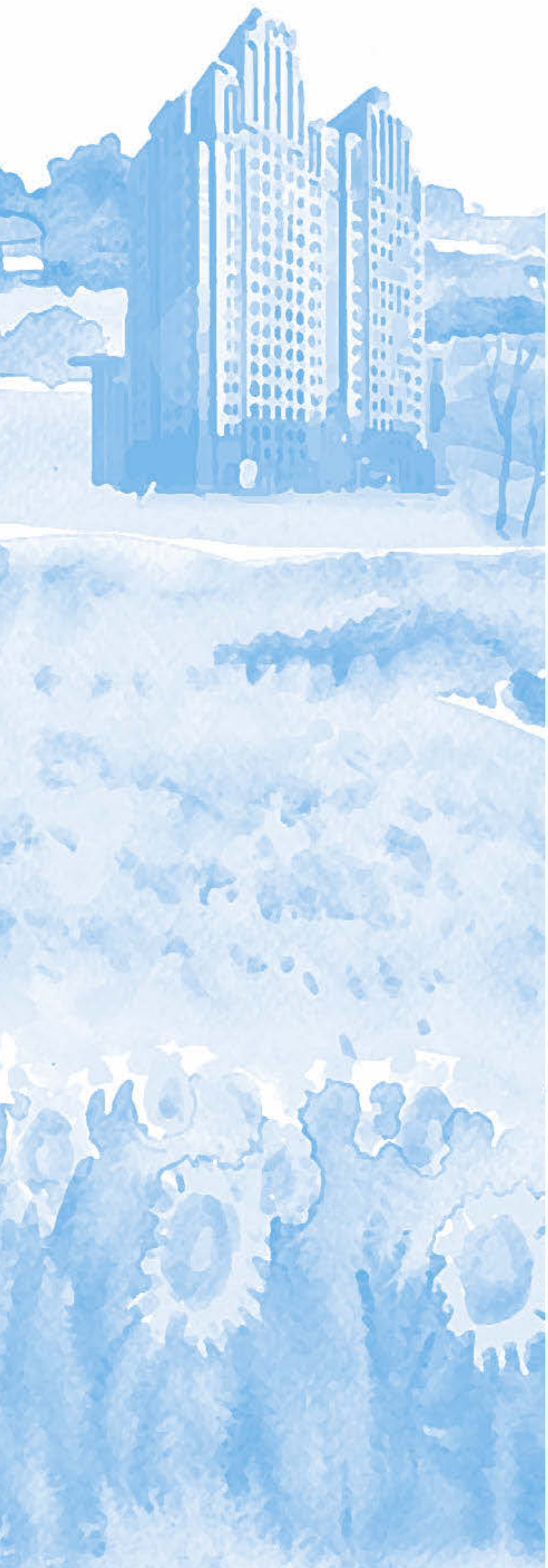
3. The 2019 condensed consolidated interim financial information of the Company is unaudited.

4. Mr. LI Zongjian, the executive director and acting chairman of the Board of the Company, Mr. YANG Zheng, the chief financial officer and the person in charge of finance 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 Interim Report 2019.

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. Investors are advised to exercise caution.

6. There is no non-operating usage of funds by the controlling shareholder or its related parties for the Company.

7. There is no external guarantee which violates the decision-making procedures of the Company.



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DEFINITIONS

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

the Company, New China Life, NCI	The general term of New China Life Insurance Company Ltd., its subsidiaries and its consolidated structured entities
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 Asset Management Company
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
NSSF	National Council for Social Security Fund of the P.R.C.
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
Pt	Percentage point(s)
P.R.C., China	People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
P.R.C. GAAP	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the P.R.C., and its application guide, interpretation and other related regulations issued thereafter
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board
New Lease Accounting Standard	IFRS16 – Leases
Articles of Association	The Articles of Association of New China Life Insurance Company Ltd.
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: LI Zongjian (Acting Legal Representative)

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, P.R.C.

Joint Company Secretary: LEE Kwok Fai Kenneth
Tel: 852-28220158
Fax: 852-35898359
Email: kenneth.lee@tmf-group.com
Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Registered Office: No. 16, East Hunan Road, Yanqing District, Beijing, P.R.C. (The change in the industrial and commercial registration has not been completed.)
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Postal Code: 100022
Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Website: http://www.newchinalife.com
Tel: 86-10-85210000
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 interim reports (A Share): http://www.sse.com.cn
Website for publishing interim 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, P.R.C.

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 01336
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, P.R.C.
Signing Certified Public Accountants: WU Zhiqiang and WANG Ziqing

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, P.R.C.

Hong Kong Legal Advisor: Freshfields Bruckhaus Deringer
Address: 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL ANALYSIS

(I) Key accounting data and financial indicators

1. Key Accounting Data

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Increase/ decrease over the corresponding period of last year
Total revenues	**89,092**	82,967	7.4%
Gross written premiums and policy fees	**74,015**	67,902	9.0%
Profit before income tax	**9,892**	7,748	27.7%
Net profit attributable to shareholders of the Company	**10,545**	5,799	81.8%
Net cash flows from operating activities	**17,538**	4,135	324.1%

	As at 30 June 2019	As at 31 December 2018	Increase/decrease as compared to the end of last year
Total assets	**808,124**	733,929	10.1%
Total liabilities	**731,524**	668,333	9.5%
Equity attributable to shareholders of the Company	**76,590**	65,587	16.8%

2. Key Financial Indicators

For the six months ended 30 June	2019	2018	Increase/ decrease over the corresponding period of last year
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**3.38**	1.86	81.7%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**3.38**	1.86	81.7%
Weighted average return on equity attributable to shareholders of the Company	**14.59%**	8.85%	5.74pt
Weighted average net cash flows from operating activities per share (RMB)	**5.62**	1.33	322.6%

	As at 30 June 2019	As at 31 December 2018	Increase/decrease as compared to the end of last year
Net assets per share attributable to shareholders of the Company (RMB/share)	**24.55**	21.02	16.8%

(II) Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	For the six months ended 30 June 2019/ As at 30 June 2019	For the six months ended 30 June 2018/ As at 31 December 2018	Change
Investment assets	**773,231**	699,826	10.5%
Annualized total investment yield	**4.7%**	4.8%	-0.1pt
Gross written premiums and policy fees	**74,015**	67,902	9.0%
Growth rate of gross written premiums and policy fees	**9.0%**	10.8%	-1.8pt
Benefits, claims and expenses	**79,030**	74,779	5.7%
Surrender rate[1]	**1.0%**	4.0%	-3.0pt

Note:

1. Surrender rate = Surrenders/(Balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + Premium income of long-term insurance contracts)

(III) The discrepancy between the P.R.C. GAAP and the IFRS

There is no difference between the consolidated net profit of the Company for the six months ended 30 June 2019 and the consolidated equity of the Company as at 30 June 2019 as stated in the condensed consolidated interim financial information prepared in accordance with the IFRS and the P.R.C. GAAP.

(IV) The items and reasons of the change beyond 30% in the consolidated financial statements

Unit: RMB in millions

Balance sheet	As at 30 June 2019	As at 31 December 2018	Change	Reason(s) of change
Right-of-use assets	**1,096**	–	N/A	The effect of applying the New Lease Accounting Standard
Financial assets measured at fair value through profit or loss	**13,743**	9,971	37.8%	Increase of allocation of corporate bonds measured at fair value through profit or loss
Financial assets purchased under agreements to resell	**1,761**	4,318	-59.2%	The allocation of investment assets and the requirement of liquidity management
Premiums receivable	**4,394**	2,307	90.5%	Accumulated increase of insurance business and uneven distribution among quarters
Deferred tax assets	**907**	1,777	-49.0%	Decrease in deductible temporary differences
Other assets	**2,544**	4,825	-47.3%	Decrease in investment clearing account receivables
Cash and cash equivalents	**12,949**	9,005	43.8%	The requirement of liquidity management
Unearned premiums liabilities	**2,513**	1,805	39.2%	Increase of short-term insurance business and uneven distribution among quarters
Lease liabilities	**910**	–	N/A	The effect of applying the new lease accounting standard
Financial liabilities measured at fair value through profit or loss	**475**	92	416.3%	Increase in the number of structured entities consolidated
Financial assets sold under agreements to repurchase	**40,951**	12,959	216.0%	The allocation of investment assets and the requirement of liquidity management
Premiums received in advance	**301**	1,808	-83.4%	The impact of business development pace
Other liabilities	**10,803**	7,242	49.2%	Cash dividend payable recorded and government grants related to assets received by a subsidiary
Current income tax liabilities	**157**	1,252	-87.5%	Decrease of tax payable

Income statement	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Change	Reason(s) of change
Premiums ceded out	**(1,248)**	(876)	42.5%	Increase of insurance business ceded out
Claims and net change in outstanding claims liabilities	**(1,428)**	(1,093)	30.6%	Increase of short-term insurance business
Increase in long-term insurance contract liabilities	**(22,374)**	(11,960)	87.1%	Increase of premiums and decrease of surrenders
Finance costs	**(348)**	(661)	-47.4%	Decrease of interest paid for financial assets sold under agreements to repurchase
Income tax expense	**654**	(1,948)	N/A	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises
Net profit for the period	**10,546**	5,800	81.8%	The impact of the adjustment of pre-tax deduction policy for the commission and brokerage expenses of insurance enterprises and the steady increase in the overall profitability of the Company
Total other comprehensive income for the period, net of tax	**2,885**	(2,104)	N/A	Increase in fair value of available-for-sale financial assets due to the fluctuation of the capital market

II. BUSINESS ANALYSIS

(I) Insurance Business

In the first half of 2019, the Company carried out the general principle of "making steady progress" and actively responded to new changes. The Company has achieved steady growth of gross written premiums ("**GWP**") and better business structure and quality through focusing on core business and consolidating transformation results.

First, GWP achieved steady growth. In the first half of 2019, the Company realized GWP of RMB73,994 million, increasing by 9.0% compared with the same period of last year. The first year regular premiums from long-term insurance business amounted to RMB11,698 million, increasing by 1.1% compared with the same period of last year. The premiums from short-term insurance business totalled RMB3,883 million, increasing by 31.0% compared with the same period of last year and renewal premiums reached RMB58,399 million, growing by 9.6% compared with the same period of last year. The value of the first half year's new business was RMB5,890 million, decreasing by 8.7% compared with the same period of last year. The embedded value reached RMB191,403 million, increasing by 10.5% compared with the end of last year. And the residual margin[1] was RMB208,313 million, increasing by 6.5% compared with the end of last year.

Second, business structure kept optimizing. The Company vigorously developed protection business with its priority on long-term health insurance business while moderately growing annuity business. In the first half of 2019, the first year premiums from long-term health insurance accounted for 55.7% of first year premiums from long-term insurance business, increasing by 1.4pt compared with the same period of last year. The first year regular premiums from regular premium products with payment periods of ten years or more accounted for 51.3% of first year regular premiums from long-term insurance business. The renewal premiums accounted for 78.9% of GWP, which remained basically flat with the same period of last year.

Third, business quality kept improving. The Company improved business operation and management through strengthening awareness of risk prevention. In the first half of 2019, the 13-month persistency ratio and 25-month persistency ratio in individual life insurance business were 90.1% and 86.5% respectively, down by 0.6pt and up by 1.8pt compared with the same period of last year respectively. Because the surrender peak of short and medium term insurance products passed away smoothly, the first half of 2019 has also seen the surrender rate of 1.0%, decreasing by 3.0pt compared with the same period of last year.

Note:

1. The residual margin is the liabilities appropriated by the Company for not being recognized as "Day-one" gain at the inception of the contracts, and will be amortized over the life of the contracts.

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Gross written premiums	**73,994**	67,870	9.0%
First year premiums from long-term insurance business	**11,712**	11,611	0.9%
Single premiums	**14**	41	-65.9%
Regular premiums	**11,698**	11,570	1.1%
Regular premiums with payment periods of ten years or more	**6,002**	7,074	-15.2%
Renewal premiums	**58,399**	53,295	9.6%
Premiums from short-term insurance business	**3,883**	2,964	31.0%

1. *Analysis by distribution channels*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Individual insurance channel			
First year premiums from long-term insurance business	**9,058**	9,280	-2.4%
Regular premiums	**9,047**	9,245	-2.1%
Single premiums	**11**	35	-68.6%
Renewal premiums	**48,609**	43,767	11.1%
Premiums from short-term insurance business	**2,319**	1,637	41.7%
Total	**59,986**	54,684	9.7%
Bancassurance channel			
First year premiums from long-term insurance business	**2,653**	2,328	14.0%
Regular premiums	**2,651**	2,325	14.0%
Single premiums	**2**	3	-33.3%
Renewal premiums	**9,786**	9,525	2.7%
Premiums from short-term insurance business	**28**	13	115.4%
Total	**12,467**	11,866	5.1%
Group insurance			
First year premiums from long-term insurance business	**1**	3	-66.7%
Renewal premiums	**4**	3	33.3%
Premiums from short-term insurance business	**1,536**	1,314	16.9%
Total	**1,541**	1,320	16.7%
GWP	**73,994**	67,870	9.0%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In the first half of 2019, the individual insurance channel focused on the development of protection business, including accelerating the upgrading of health insurance products and developing more riders. The individual insurance channel achieved premiums of RMB59,986 million, increasing by 9.7% compared with the same period of last year. The first year regular premiums from long-term insurance business amounted to RMB9,047 million, down by 2.1% compared with the same period of last year. The premiums from short-term insurance business amounted to RMB2,319 million, growing by 41.7% compared with the same period of last year. The renewal premiums reached RMB48,609 million, growing by 11.1% compared with the same period of last year.

In the first half of 2019, the individual insurance channel stepped up efforts to build sales team and promoted the recruitment of new agents. As at 30 June 2019, the total number of agents in individual insurance channel has reached 386,000, which increased by 15.5% compared with the same period of last year and reached a new high. The monthly average number of qualified agents (1) was 140,000, increasing by 4.9% compared with the same period of last year and the monthly average qualified rate (2) was 38.8%, decreasing by 2.9pt compared with the same period of last year. The monthly average comprehensive productivity per capita (3) was RMB4,472, decreasing by 13.8% compared with the same period of last year.

Notes:

1. Monthly average number of qualified agents = (∑number of qualified agents in a month)/the number of months in the reporting period, where monthly number of qualified agents refers to the number of agents who have issued one insurance policy or more (including card-type accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal or greater than RMB800.

2. Monthly average qualified rate = monthly average number of qualified agents/monthly average number of agents*100%. Monthly average number of agents={∑ [(number of agents at start of the month + number of agents at end of the month)/2]}/the number of months in the reporting period.

3. Monthly average comprehensive productivity per capita = monthly average first year premiums/monthly average number of agents.

4. To better reflect the performance of sales team and carry out the requirements of high-quality development, this report replaced monthly average performing agents and monthly average performance rate with monthly average qualified agents and monthly average qualified rate.

② Bancassurance channel

In the first half of 2019, bancassurance channel adhered to the strategy of focus, exploration and vertical guidance, and consolidated the strategic partnerships with important banks. Bancassurance channel realized premiums of RMB12,467 million, increasing by 5.1% compared with the same period of last year. The first year regular premiums from long-term insurance business amounted to RMB2,651 million, increasing by 14.0% compared with the same period of last year and renewal premiums amounted to RMB9,786 million, increasing by 2.7% compared with the same period of last year. Bancassurance channel continued to build wealth management team and the first year regular premiums from long-term insurance business in wealth management channel amounted to RMB810 million, increasing by 10.8% compared with the same period of last year.

(2) Group insurance business

In the first half of 2019, group insurance channel kept enriching product pipelines, strengthened operation support and improved service capabilities. Group insurance channel realized premiums of RMB1,541 million, increasing by 16.7% compared with the same period of last year. The Company stays committed to helping improve people's livelihoods in a long run and advances policy-oriented health insurance with premiums from related health insurance amounting to RMB86 million and covering 4,807.2 thousand customers.

2. *Analysis by types of insurance products*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
GWP	**73,994**	67,870	9.0%
Participating insurance(1)	**25,684**	28,543	-10.0%
First year premiums from long-term insurance business	**339**	2,741	-87.6%
Renewal premiums	**25,345**	25,802	-1.8%
Premiums from short-term insurance business	**–**	–	N/A
Health insurance	**27,980**	22,229	25.9%
First year premiums from long-term insurance business	**6,522**	6,308	3.4%
Renewal premiums	**18,858**	14,033	34.4%
Premiums from short-term insurance business	**2,600**	1,888	37.7%
Traditional insurance	**19,089**	16,076	18.7%
First year premiums from long-term insurance business	**4,851**	2,562	89.3%
Renewal premiums	**14,177**	13,441	5.5%
Premiums from short-term insurance business	**61**	73	-16.4%
Accident insurance	**1,222**	1,003	21.8%
First year premiums from long-term insurance business	**–**	–	N/A
Renewal premiums	**–**	–	N/A
Premiums from short-term insurance business	**1,222**	1,003	21.8%
Universal insurance(1)	**19**	19	0.0%
First year premiums from long-term insurance business	**–**	–	N/A
Renewal premiums	**19**	19	0.0%
Premiums from short-term insurance business	**–**	–	N/A
Unit-linked insurance	**–**	–	N/A
First year premiums from long-term insurance business	**–**	–	N/A
Renewal premiums	**–**	–	N/A
Premiums from short-term insurance business	**–**	–	N/A

Notes:

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

2. "–" means less than RMB500,000.

In the first half of 2019, the Company achieved first year premiums of RMB6,522 million from long-term health insurance, rising by 3.4% compared with the same period of last year. The first year premiums from long-term traditional insurance were RMB4,851 million, growing by 89.3% compared with the same period of last year. Premiums from accident insurance totalled RMB1,222 million, growing by 21.8% compared with the same period of last year.

3. *Analysis by branches*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
GWP	**73,994**	67,870	9.0%
Shandong Branch	**7,371**	6,556	12.4%
Henan Branch	**6,144**	5,561	10.5%
Beijing Branch	**5,370**	5,334	0.7%
Guangdong Branch	**4,487**	4,282	4.8%
Shaanxi Branch	**3,840**	3,336	15.1%
Zhejiang Branch	**3,679**	3,342	10.1%
Hubei Branch	**3,672**	3,393	8.2%
Jiangsu Branch	**3,323**	3,053	8.8%
Inner Mongolia Branch	**3,200**	2,957	8.2%
Hunan Branch	**2,776**	2,496	11.2%
Other Branches	**30,132**	27,560	9.3%

In the first half of 2019, approximately 59.3% of the GWP of the Company were derived from the ten branches in densely populated areas or economically developed regions such as Shandong, Henan and Beijing.

4. *Business quality and market share*

For the six months ended 30 June	2019	2018	Change
Market share[1]	**3.9%**	4.2%	-0.3pt
Persistency ratio of individual life insurance business			
13-month persistency ratio[2]	**90.1%**	90.7%	-0.6pt
25-month persistency ratio[3]	**86.5%**	84.7%	1.8pt

Notes:

1. Market share is derived from the data published by the CBIRC.

2. 13-month persistency ratio = premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

3. 25-month persistency ratio = premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

5. *Analysis on claim and the interests of policyholders*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Surrender value	**6,873**	25,756	-73.3%
Insurance benefits and claims	**34,666**	22,445	54.4%
Claims	**1,508**	1,106	36.3%
Annuity benefits	**5,338**	5,424	-1.6%
Maturity and survival benefits	**24,697**	13,508	82.8%
Casualty and medical benefits	**3,123**	2,407	29.7%
Claims recoverable	**(466)**	(314)	48.4%
Policy dividend	**19**	35	-45.7%
Net change in insurance contract liabilities	**22,352**	12,032	85.8%
Total	**63,444**	59,954	5.8%

The surrender value decreased by 73.3% compared with the same period of last year due to the drop of surrender of high cash value products in bancassurance channel as a result of business transformation.

The claim payment increased by 36.3% compared with the same period of last year due to the steady growth of accident insurance and short-term health insurance business.

The maturity and survival benefits increased by 82.8% compared with the same period of last year due to the rise of the maturity of certain participating insurance products.

The net change in insurance contract liabilities increased by 85.8% compared with the same period of last year due to the increase of premiums and decrease of surrenders.

6. *Analysis on commission and brokerage expense*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Commission and brokerage expense(1)	**8,943**	8,656	3.3%
Participating insurance(2)	**411**	1,465	-71.9%
Health insurance	**7,435**	6,264	18.7%
Traditional insurance	**719**	637	12.9%
Accident insurance	**378**	289	30.8%
Universal insurance(2)	**–**	1	N/A

Notes:

1. Relevant item does not include the commission and brokerage expense under non-insurance contracts.

2. Participating health insurance is included in the participating insurance. Universal health insurance is included in the universal insurance.

3. "–" means less than RMB500,000.

In the first half of 2019, the commission and brokerage expense of insurance business increased by 3.3% compared with the same period of last year, due to the increase of premiums from health insurance.

7. *Analysis on insurance contract liabilities*

Unit: RMB in millions

Components	As at 30 June 2019	As at 31 December 2018	Change
Unearned premiums liabilities	**2,513**	1,805	39.2%
Outstanding claims liabilities	**1,059**	1,064	-0.5%
Life insurance liabilities	**545,521**	527,494	3.4%
Long-term health insurance liabilities	**73,905**	64,257	15.0%
Insurance contract liabilities in total	**622,998**	594,620	4.8%
Participating insurance[1]	**468,325**	463,222	1.1%
Health insurance	**61,142**	51,693	18.3%
Traditional insurance	**92,400**	78,743	17.3%
Accident insurance	**1,083**	917	18.1%
Universal insurance[1]	**48**	45	6.7%
Insurance contract liabilities in total	**622,998**	594,620	4.8%

Note:

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

The insurance contract liabilities as at 30 June 2019 increased by 4.8% compared with the end of 2018 due to the accumulation of insurance business and liabilities. As at the date of the balance sheet, all types of contract liabilities of the Company have passed the adequacy test.

(II) Asset management business

Since 2019, China's economic growth remained resilient as growth drivers transformed rapidly and positive signs emerged in structural adjustments. Global economic and financial situations were still complex and more external uncertainties and instabilities appeared. Overall, there were tough challenges in asset management business of insurance companies, such as severe credit situations, great reinvestment pressures, more fluctuations in capital market, higher tail risks and etc.. All of these brought greater pressure for asset allocation. In the face of complex and severe market situations, the Company adhered to prudent and moderate investment strategy and continued to optimize investment portfolio based on investment research and risk management in terms of asset management business.

The Company mostly invested in debt financial assets. In the first half of 2019, the Company mainly invested in interest rate bonds with eligible return and controlled risk, including long-duration treasury bond and local government bond. Through intensive research and assessment, the Company actively invested in high-quality assets with high return and security in terms of selecting financial products. Meanwhile, the Company closely monitored and minimized the risks of fixed-income financial assets and strictly controlled the qualifications of newly-added fixed-income financial assets. The impact brought by credit risk events was successfully avoided. As at 30 June 2019, the debt financial assets of the Company amounted to RMB521,416 million, accounting for 67.4% of the total investment assets, an increase of 1.7pt compared with the end of last year.

In terms of equity financial assets, the Company prudently controlled risk exposures and sought rational risk-return ratio based on strategic judgment and structural trend. On the one hand, the Company continued to take value investment as the criterion, sought certain return and selected high-quality investment targets from the bottom up. On the other hand, the Company actively seized market opportunities and gained earnings through band operation. As at 30 June 2019, the equity financial assets of the Company amounted to RMB122,225 million, accounting for 15.8% of the total investment assets, a decrease of 0.8pt compared with the end of last year.

1. *Investment portfolio*

Unit: RMB in millions

	As at 30 June 2019		As at 31 December 2018		Change
	Amount	Proportion	Amount	Proportion	of amount
Investment assets	**773,231**	**100.0%**	699,826	100.0%	10.5%
Classified by investment type					
Term deposits[1]	**65,690**	**8.5%**	64,690	9.2%	1.5%
Debt financial assets	**521,416**	**67.4%**	459,902	65.7%	13.4%
– Bonds	**338,230**	**43.7%**	275,213	39.3%	22.9%
– Trust products	**65,435**	**8.5%**	66,281	9.5%	-1.3%
– Debt plans[2]	**37,518**	**4.8%**	39,109	5.6%	-4.1%
– Asset funding plans	**10,000**	**1.3%**	10,000	1.4%	0.0%
– Others[3]	**70,233**	**9.1%**	69,299	9.9%	1.3%
Equity financial assets	**122,225**	**15.8%**	116,058	16.6%	5.3%
– Funds	**39,950**	**5.2%**	42,298	6.1%	-5.6%
– Stocks[4]	**37,153**	**4.8%**	32,243	4.6%	15.2%
– Others[5]	**45,122**	**5.8%**	41,517	5.9%	8.7%
Investments in associates and joint ventures	**4,847**	**0.6%**	4,792	0.7%	1.1%
Cash and cash equivalents[1]	**12,949**	**1.7%**	9,005	1.3%	43.8%
Other investment assets[6]	**46,104**	**6.0%**	45,379	6.5%	1.6%
Classified by investment purpose					
Financial assets at fair value through profit or loss	**13,743**	**1.8%**	9,971	1.4%	37.8%
Available-for-sale financial assets	**347,945**	**45.0%**	300,949	43.0%	15.6%
Held-to-maturity investments	**233,535**	**30.2%**	214,531	30.7%	8.9%
Loans and other receivables[7]	**173,161**	**22.4%**	169,583	24.2%	2.1%
Investment in associates and joint ventures	**4,847**	**0.6%**	4,792	0.7%	1.1%

Notes:

1. Term deposits exclude those with maturity of three months or less, and cash and cash equivalents include term deposits with maturity of three months or less.

2. Debt plans mainly consist of infrastructure and real estate funding projects.

3. Others include perpetual bonds and debt wealth management products.

4. Stocks include common stocks and preferred stocks.

5. Others include asset management products, private equity, equity plans, unlisted equity investments and equity wealth management products.

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

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

2. Investment income

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Interest income from cash and cash equivalents	**39**	54	-27.8%
Interest income from term deposits	**1,609**	1,188	35.4%
Interest income from debt financial assets	**11,904**	11,852	0.4%
Dividend income from equity financial assets	**3,305**	3,267	1.2%
Interest income from other investment assets(1)	**809**	714	13.3%
Net investment income(2)	**17,666**	17,075	3.5%
Realized gains/(losses) on investment assets	**(515)**	(79)	551.9%
Unrealized gains/(losses)	**553**	(200)	N/A
Impairment losses on investment assets	**(1,020)**	(489)	108.6%
Share of results of associates and joint ventures under equity method	**178**	221	-19.5%
Total investment income(3)	**16,862**	16,528	2.0%
Annualized net investment yield(4)	**5.0%**	5.0%	0.0pt
Annualized total investment yield(4)	**4.7%**	4.8%	-0.1pt

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 = net investment income + realized gains/(losses) on investment assets + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates and joint ventures under equity method

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.

3. Investment in non-standard assets

The credit risks of the non-standard assets that the Company currently holds are within control with most of its underlying assets being loans in institutional financing of non-banking sector, real estate financing and infrastructure financing. The enterprises involved are industrial giants, large financial institutions and central enterprises. As at 30 June 2019, the non-standard assets amounted to RMB228,172 million, increasing by RMB2,091 million compared with the end of last year, accounting for 29.5% of the total investment assets, a decrease of 2.8pt compared with the end of last year. The non-standard assets that the Company held had good credit enhancement measures. In addition to financing entities which are exempted from credit enhancement requirements by regulatory authorities, most of non-standard assets are taken credit enhancement measures, such as mortgage and pledge, joint guarantee, repurchase agreement, imbalance payment commitment and co-managing assets, so the non-standard assets were with high quality and low risk.

(1) Ratings

After deducting wealth management products issued by commercial banks and equity financial products not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 92.9% of total non-standard assets as at 30 June 2019. The overall credit risk was limited.

Ratings of Financial Products

Credit rating	Proportion
AAA	92.9%
AA+	5.3%
AA	1.8%
Total	**100.0%**

(2) Investment portfolio

Unit: RMB in millions

	As at 30 June 2019	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard debt investments	183,186	80.3%	-1.4pt	(1,503)
– Trust product	65,435	28.7%	-0.6pt	(846)
– Debt plan	37,518	16.4%	-0.9pt	(1,591)
– Project asset support plan	10,000	4.4%	0.0pt	–
– Wealth management product	65,233	28.6%	0.1pt	934
– Perpetual Bond	5,000	2.2%	0.0pt	–
Non-standard equity investments	44,986	19.7%	1.4pt	3,594
– Asset management plan	15,337	6.7%	0.7pt	1,769
– Private equity	6,371	2.8%	0.9pt	1,928
– Unlisted equity	18,571	8.1%	-0.1pt	6
– Equity investment plan	4,700	2.1%	0.0pt	–
– Wealth management product	7	0.0%	-0.1pt	(109)
Total	228,172	100.0%		2,091

(3) Major management institutions

Unit: RMB in millions

For the six months ended 30 June 2019	Paid Amount	Proportion
Shanghai Pudong Development Bank Co., Ltd.	34,980	15.4%
New China Asset Management Co., Ltd.	25,620	11.2%
Industrial Bank Co., Ltd.	16,498	7.2%
Zhongrong International Trust Co., Ltd.	14,543	6.4%
Huarong International Trust Co., Ltd.	11,644	5.1%
Beijing International Trust Co., Ltd.	10,104	4.4%
Generali China Asset Management Co., Ltd	6,629	2.9%
China CITIC Bank Corporation Limited	5,500	2.4%
CITIC Trust Co., Ltd.	5,327	2.4%
PICC Capital Investment Management Company Limited	5,070	2.2%
Total	135,915	59.6%

III. ANALYSIS BY COMPONENT

(I) Solvency

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

Unit: RMB in millions

	As at 30 June 2019	As at 31 December 2018	Reason(s) of Change
Core capital	**244,257**	221,299	Gains for the current period, changes in fair value of available-for-sale financial assets and growth in insurance business
Actual capital	**248,257**	225,299	
Minimum capital	**85,749**	82,072	Growth and structural change in insurance and investment business
Core solvency margin ratio[1]	**284.85%**	269.64%	
Comprehensive solvency margin ratio[1]	**289.52%**	274.51%	

Note:

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

(II) Liquidity Analysis

1. *Gearing ratio*

	As at 30 June 2019	As at 31 December 2018
Gearing ratio[1]	**90.5%**	91.1%

Note:

1. Gearing ratio = Total liabilities/Total assets

2. *Analysis of consolidated statement of cash flows*

Unit: RMB in millions

For the six months ended 30 June	2019	2018	Change
Net cash flows from operating activities	**17,538**	4,135	324.1%
Net cash flows from investing activities	**(42,483)**	(4,271)	894.7%
Net cash flows from financing activities	**28,889**	28,416	1.7%

The net cash inflows from operating activities in the first half of 2019 increased by 324.1% compared with the same period of last year, due to the decrease of insurance benefits and claims paid and the increase of premiums received.

The net cash outflows from investing activities in the first half of 2019 increased by 894.7% compared with the same period of last year, due to the increase of cash paid for investments.

The net cash inflows from financing activities in the first half of 2019 increased slightly compared with the same period of last year, due to the increase of cash received from financial assets sold under agreements to repurchase.

3. *Source and use of liquidity*

The principal cash inflows of the Company come from 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, risks of fluctuation of interest rate and other market elements. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company offer liquidity resources to satisfy the requirements of cash outflows. As of the end of the reporting period, cash and cash equivalents amounted to RMB12,949 million. The term deposits of the Company amounted to RMB65,690 million. In addition, 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 demands of unexpected cash outflows. As of the end of the reporting period, the book value of debt financial assets amounted to RMB521,416 million, and the book value of equity financial assets amounted to RMB122,225 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 were primarily related to benefit payments of insurance products, as well as payments for policy surrenders and policy loans.

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

(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, China Life Reinsurance Company Ltd. and etc..

Unit: RMB in millions

Premiums ceded out For the six months ended 30 June	2019	2018
Swiss Reinsurance Company Ltd., Beijing Branch	**721**	519
China Life Reinsurance Company Ltd.	**319**	231
Others[1]	**208**	126
Total	**1,248**	876

Note:

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

IV. FUTURE PROSPECTS

In 2019, in the face of complex external situations, China has made steady progress in economic performance. In the second half of 2019, it is expected that the external environment for life insurance industry will rebound along with the constantly optimizing economic structure, growing enterprise vitality and increasing household income.

To adhere to the general requirements of pursuing progress while ensuring stability from the central government, act upon new development philosophy and stay committed to the path of high-quality development, the Company will take the following measures:

Firstly, the Company will strengthen Party leadership. The Company will stick to the initial intention, keep in mind its mission, take "in-depth study and implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the guiding principles from the 19th CPC National Congress" as the key work, improve the political stance, strengthen responsibility and give play to the leading role of Party construction in the Company's development.

Secondly, the Company will perfect market mechanism. Focusing on operation performance, the Company will lay equal stress on incentives and restrictions and constantly improve its market competitiveness through market and industry benchmarking.

Thirdly, the Company will enrich product pipelines. Through the understanding of customers' needs, the Company will adhere to returning to the essence of insurance and provide comprehensive protection for customers.

Fourthly, the Company will improve the capabilities of sales team. The Company will step up efforts to enlarge its sales team and make its sales team stronger, improve the marketing and service capabilities of sales team.

Fifthly, the Company will strengthen sales support. The Company will speed up the building of information system to constantly improve the service efficiency of operation and offer stronger support for the sales team.

Sixthly, the Company will stick to prudent investment. The Company will strengthen long-term investment, strictly forestall risks, beef up the synergy between assets and liabilities to ensure the preservation and appreciation of insurance assets.

Seventhly, the Company will persist in compliance operation in accordance with laws. On the basis of consolidating the risk management basis and safeguarding the compliance bottom line, the Company will continue to advance the building of comprehensive risk management system, optimize internal control and compliance system and set up mechanisms to prevent and mitigate risks.

SECTION 4
EMBEDDED VALUE

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 2019 ("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 2019. 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 2019, 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 2019; 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 2019;

  – the sensitivity tests of the value of in-force business and value of first half year's new business as at 30 June 2019; and

  – the analysis of change of the embedded value from 31 December 2018 to 30 June 2019.

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 2019 interim report are consistent with those reviewed by WTW.

For and on behalf of WTW

Mei-Chee Shum, FFA **Benjamin Chen, FSA**

28 August 2019

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 2019 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 new business in this section are prepared by us in accordance with the "Appraisal of Embedded Value" standard. Willis Towers Watson, an international firm of consultants, performed a review of our 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

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 6 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 CBIRC.

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 value of in-force business and the value of first half year's new business as at 30 June 2019, 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% p.a.

(2) Investment Returns

The annual investment return assumptions as at 30 June 2019 are shown below for the different funds respectively.

Annual Investment Return Assumptions for VIF and the Value of First Half Year's New Business as at 30 June 2019

	2019	2020	2021	2022+
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 (2010 to 2013)".

(4) Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience, expectations of current and future experience, and taking into consideration future morbidity deterioration trend. 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 expense 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 CBIRC 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 2019 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**30 June 2019**	31 December 2018
Adjusted Net Worth	**110,406**	98,892
Value of In-Force Business Before Cost of Required Capital Held	**101,480**	93,183
Cost of Required Capital Held	**(20,483)**	(18,924)
Value of In-Force Business After Cost of Required Capital Held	**80,997**	74,259
Embedded Value	**191,403**	173,151

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 2019	30 June 2018
Value of First Half Year's New Business		
Value of First Half Year's New Business Before Cost of Required Capital Held	**7,146**	7,608
Cost of Required Capital Held	**(1,256)**	(1,156)
Value of First Half Year's New Business After Cost of Required Capital Held	**5,890**	6,451

Notes:

1. Numbers may not be additive due to rounding.
2. The first year premiums used to calculate the value of first half year's new business as at 30 June 2019 and 30 June 2018 were RMB15,538 million and RMB12,788 million respectively.
3. 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 2019	30 June 2018
Value of First Half Year's New Business by Channel		
Individual insurance channel	**5,767**	5,952
Bancassurance channel	**190**	531
Group insurance channel	**(68)**	(32)
Total	**5,890**	6,451

Notes:

1. Numbers may not be additive due to rounding.
2. The first year premiums used to calculate the value of first half year's new business as at 30 June 2019 and 30 June 2018 were RMB15,538 million and RMB12,788 million respectively.
3. The impact of major reinsurance contracts has been reflected in the value of first half year's new business.

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2018 to 30 June 2019, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2018 to 30 June 2019 at a Risk Discount Rate of 11.5%		
1.	EV at the beginning of period	173,151
2.	Impact of Value of New Business	5,890
3.	Expected Return	7,821
4.	Operating Experience Variances	1,655
5.	Economic Experience Variances	2,744
6.	Operating Assumption Changes	–
7.	Economic Assumption Changes	–
8.	Capital Injection/Shareholder Dividend Payment	(2,402)
9.	Others	2,298
10.	Value Change Other Than Life Insurance Business	246
11.	EV at the end of period	191,403

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, taxes and etc.) 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, including one-off impact to tax on application of "Announcement on Policies Regarding the Pre-tax Deduction of Underwriting and Policy Acquisition Costs Incurred by Insurance Enterprises" released in May 2019.

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 summarized below.

Unit: RMB in millions

VIF and Value of First Half Year's New Business Sensitivity Results as at 30 June 2019	VIF after Cost of Required Capital Held	the Value of First half year's New Business after Cost of Required Capital Held
Scenarios		
Base Scenario	80,997	5,890
Risk Discount Rate at 12%	77,290	5,621
Risk Discount Rate at 11%	84,946	6,175
Investment Return 50bps higher	95,713	6,686
Investment Return 50bps lower	66,223	5,090
Expenses 10% higher (110% of Base)	79,708	5,286
Expenses 10% lower (90% of Base)	82,286	6,493
Discontinuance Rates 10% higher (110% of Base)	79,754	5,569
Discontinuance Rates 10% lower (90% of Base)	82,250	6,218
Mortality 10% higher (110% of Base)	80,216	5,809
Mortality 10% lower (90% of Base)	81,781	5,971
Morbidity and Loss Ratio 10% higher (110% of Base)	78,313	5,471
Morbidity and Loss Ratio 10% lower (90% of Base)	83,685	6,306
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	76,094	5,883

SECTION 5

SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE

During the reporting period, the Company held one shareholders' general meeting, eight meetings of the Board and four meetings of the board of supervisors in total. Announcements on resolutions of the meeting 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, the board of supervisors and the senior management all operated legally and independently in accordance with the Articles of Association and relevant rules and procedures, and effectively performed their respective duties.

Shareholders' General Meeting

Session	Date of Meeting	Media where resolutions were published	Date of Publication of Resolutions
Annual General Meeting of 2018	2019-6-27	www.hkexnews.hk	2019-6-27

At the beginning of the reporting period, Mr. WAN Feng worked as the chairman of the Board and chief executive officer of the Company. Mr. WAN Feng tendered his resignation to the Board on 16 January 2019. Due to his age, Mr. WAN Feng resigned as the chairman, an executive director, chief executive officer and all other positions of the Company. The resignation of Mr. WAN Feng took effect on 16 January 2019. The 36th meeting of the sixth session of the Board agreed to appoint Mr. LI Quan as the chief executive officer of the Company on 27 June 2019 and his qualification was approved by regulatory authorities on 7 August 2019. At the first meeting of the seventh session of the Board held on 6 August 2019, Mr. LIU Haoling was elected as the chairman of the Board. Mr. LI Zongjian was resolved to perform the duties of the chairman with the term commencing from the date of resolution of the Board and ending on the date of approval of qualification of Mr. LIU Haoling as the chairman of the Board. The appointment mentioned above met the relevant requirements in Corporate Governance Code.

Save as disclosed above, during the reporting period, the Company complied with all the code provisions in the Corporate Governance Code 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 Company Ltd. to regulate the securities transactions of directors, supervisors and senior management of the Company, the terms of which are no less exacting than that of the Model Code for Securities Transactions. Having specific enquiries of 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 Company Ltd.

The Interim Report 2019 has been reviewed by the Audit Committee of the Board.

II. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

According to the Proposal on the Profit Distribution Plan for the Year 2018 approved by the annual general meeting of 2018, with the appropriation to its discretionary surplus reserve of RMB785 million (10% of the net profit of the Company for 2018), the Company distributed a cash dividend of RMB0.77 (including tax) per share to all shareholders of the Company and completed the distribution of 2018 annual dividend on 9 August 2019.

III. 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 in the first half of 2019.

IV. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Changes in accounting policies

The Company has applied the New Lease Accounting Standard since 1 January 2019, the application of New Lease Accounting Standard has not significantly influenced the Company's financial position, operating results or cash flows.

(II) Changes in accounting estimates

The Company determined actuarial assumptions which include, among other things, assumptions on the discount rates, mortality rates, morbidity rates, expenses, policyholder dividend, lapse rates and etc. based on current information available as at the date of the balance sheet. These assumptions were used to calculate the liabilities of insurance contracts as at the date of the balance sheet.

On 30 June 2019, the Company reviewed the above assumptions based on the information available. The changes in liabilities of insurance contracts arising from the changes in the assumptions were recognised in the statement of profit or loss. As at 30 June 2019, the changes in accounting estimates above resulted in a decrease in liabilities of life insurance contracts by RMB543 million, a decrease in liabilities of long-term health insurance contracts by RMB164 million and an increase in profit before tax by RMB707 million in aggregate.

V. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The annual general meeting of 2018 of the Company held on 27 June 2019 considered and approved the Proposal on the Appointment of Auditing Firms for the Year 2019, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the international auditor of the Company for the year 2019, respectively. For details, please refer to the Poll Results of the Annual General Meeting of 2018, Election of Directors and Shareholder Representative Supervisors and Distribution of 2018 Annual Dividend published by the Company on 27 June 2019.

VI. PLEDGE OF ASSETS

Details of pledges of assets are set out in Note 12 to the Condensed Consolidated Interim Financial Statements of this report.

VII. MAJOR EQUITY AND NON-EQUITY INVESTMENT

During the reporting period, the Company had no major equity or non-equity investment events.

VIII. DISPOSALS OF MATERIAL ASSETS AND EQUITY

During the reporting period, the Company had no sales of material assets and equity.

IX. MATERIAL 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 contributed more than 10% (inclusive) of the Company's total profit.

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

(III) The utilization of capital of the Company is carried out mainly through entrusted management and the diversified entrusted investment management system in which the internal investment managers are main players and external investment managers are supplemental has taken shape. The internal investment managers include Asset Management Company and Asset Management Company (Hong Kong) and external investment managers constitute the fund companies, asset management section of securities firms and other professional investment management institutions. The Company selects different investment management institutions according to the requirements of asset allocation, risk-return characteristics of different types of assets and the merits of each institution, so as to build diversified investment portfolios and improve the efficiency of capital utilization. The Company enters into the entrusted investment management agreement with each investment managers, manages the investment behavior through investment guidance, asset custody, dynamic tracking communication, assessment and evaluation measures, and takes targeted risk control measures according to the characteristics of different investment managers and investment targets.

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

X. CREDIT OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER

During the reporting period, the Company and its controlling shareholder were not subject to large amount enforceable judgments of the court or had no outstanding due and payable debts.

XI PERFORMANCE OF THE COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHAREHOLDING DURING THE REPORTING PERIOD OR UNTIL THE REPORTING PERIOD

For details of the commitments made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to Announcement on the Performance 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 above commitments relating to avoidance of horizontal competition was fulfilled continuously and normally.

XII PENALTY AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or controlling shareholder was subject to any investigations by the authorities, or any coercive measures by judicial authorities or disciplinary inspection departments, or sent to judicial authorities for criminal prosecution, or received investigation or administrative penalty by the CSRC, or banned market access, or considered inappropriate entity, or received major administrative penalty by environmental protection department, work safety department, tax department or other administrative departments or received public reprimand by stock exchanges.

During the reporting period, the Company was not subject to any administrative supervision and rectification by the CSRC and its dispatched institutions.

XIII. SIGNIFICANT LITIGATION, ARBITRATION EVENTS AND GENERAL MEDIA DOUBTS

During the reporting period, the Company had no significant litigation, arbitration events and general media incredulity.

XIV OTHER SIGNIFICANT EVENTS

(I) Authorization of issuance of domestic and overseas debt financing instruments

To ensure the Company's sufficient solvency and to broaden the financing channels, the ninth meeting of the sixth session of the board of directors held on 24 February 2017 and the first extraordinary general meeting of 2017 held on 28 April 2017 approved to issue domestic debt financing instruments in the amount not exceeding RMB15,000 million or overseas debt financing instruments in the equivalent amount not exceeding US2,000 million dollars in 2017, and authorized the management team of the Company to handle all affairs related to issuance of domestic and overseas debt financing instruments after the approval of regulatory authority with reference to market situation. The term of authorization commences from the approval date of the first extraordinary general meeting of 2017 and ends on the date of the annual general meeting of 2019. Please refer to the Announcement on the Resolutions of the Ninth Meeting of the Sixth Session of the Board of Directors published on 24 February 2017 and the Announcement of the Poll Results of First Extraordinary General Meeting of 2017 published on 28 April 2017.

During the reporting period, the Company did not issue domestic or overseas debt financing instruments.

(II) 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 of the Company 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. After the ruling of Chongqing Municipal Higher People's Court and the Supreme People's Court, Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million together with interests to the Company. The Company has applied to Chongqing Municipal Higher People's Court for compulsory execution against Beijing Tianhuan Real Estate Development Co., Ltd.. The Company received RMB60.9985 million as a result of the execution as at the end of reporting period. The case is still in the process of execution.

XV. ENVIRONMENT INFORMATION

Responding to the call of "comprehensively strengthening ecological and environmental protection and resolutely fighting against pollution", the Company actively promoted environmental protection awareness and environmental performance in the insurance industry.

Within the office building, the Company vigorously promoted paperless office, actively developed online working system, such as replacing traditional paper documents with electronic documents, and advocating and encouraging employees to read electronic documents. The Company also cultivated employees' awareness of water and electricity saving. Through putting up posters, the Company reminded employees to pay attention to saving water and electricity and turning off unnecessary water or electricity equipment in time. The Company also carried out a series of measures to protect environment, such as keeping indoor temperature above 26 degree celsius in summer.

At the business end, the Company has launched electronic policy application system. The system covered the whole process, including electronic policy encryption, real-time transmission, SMS reminder, electronic signature receipt, downloading, multiple verification and background visual management, which effectively improved customer experience while saving resources.

In terms of the management and disclosure of environmental data, during the reporting period, the Company attempted to collect environmental data such as resource consumption and waste production from all branches for the first time, and discussed the problems and difficulties found in the process so as to come up with solutions.

In the future, the Company plans to gradually establish a collection and reporting system for environmental data. According to the needs of each branch, the Company will formulate environmental data collection standards in line with the nature of NCI business and its own characteristics, strengthen environmental data management, and further expand the scope of reporting.

SECTION 6

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN SHARE CAPITAL

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

Unit: share

	31 December 2018		Increase or decrease during the reporting period (+, -)					30 June 2019	
	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. ISSUE OF SECURITIES

During the reporting period, the Company did not issue securities.

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.

IV. SHAREHOLDERS PROFILE

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 58,620 shareholders of the Company, including 58,337 A share shareholders and 283 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	1,033,823,036	-6,600	–	–	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	–	–	–	A
China Baowu Steel Group Corporation Limited	State-owned legal person shares	12.09	377,162,581	–	–	–	A
China Securities Finance Corporation Limited	State-owned legal person shares	2.99	93,339,045	–	–	–	A
Central Huijin Asset Management Ltd.	State-owned legal person shares	0.91	28,249,200	–	–	–	A
HKSCC[3]	Overseas legal person shares	0.78	24,405,009	+8,435,481	–	–	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.58	18,200,000	–	–	–	A
NSSF 107 Portfolio	State-owned legal person shares	0.42	12,978,635	+7,457,347	–	–	A
NSSF 112 Portfolio	State-owned legal person shares	0.33	10,199,621	+996,810	–	–	A
Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan	Other	0.28	8,713,289	–	–	–	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 or 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. Hong Kong Securities Clearing Company Limited ("**HKSCC**") is a company that holds shares on behalf of the clients of the Shanghai-Hong Kong Stock Connect.

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

During the reporting period, there was no change in the controlling shareholder of the Company. The Company had no *de facto* controller.

(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 at 30 June 2019, China Baowu held 377,162,581 A shares of the Company, which accounted for 12.09% of the total issued shares of the Company, and 18.09% 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 at 30 June 2019, 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	77,857,800 (Note 3)	2.50	–	7.53	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	BlackRock, Inc.	H share	Interests of Controlled Corporation	66,173,169	2.12	–	6.40	Long Position
				22,500 (Note 5)	0.00	–	0.00	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. BlackRock, Inc. holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.

Save as disclosed above, as at 30 June 2019, 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.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

(I) Changes of Directors

Name	Appointment	Detail
LIU Haoling[1]	Chairman, Non-executive Director	On 27 June 2019, Mr. LIU Haoling was elected as a director of the seventh session of the Board of the Company at the annual general meeting of 2018. On 6 August 2019, Mr. LIU Haoling was elected as the chairman of the seventh session of the Board at the first meeting of the seventh session of the Board. Mr. LIU Haoling's qualification is subject to the approval by regulatory authorities.
GUO Ruixiang LI Qiqiang Edouard SCHMID	Non-executive Director Non-executive Director Non-executive Director	On 27 June 2019, Mr. GUO Ruixiang, Mr. LI Qiqiang and Mr. Edouard SCHMID were elected as directors of the seventh session of the Board of the Company at the annual general meeting of 2018. The qualifications of Mr. GUO Ruixiang and Mr. LI Qiqiang were approved by regulatory authorities on 31 July 2019 and 16 August 2019 respectively. Mr. Edouard SCHMID's qualification is subject to the approval by regulatory authorities.
MA Yiu Tim	Independent Non-executive Director	On 27 June 2019, Mr. MA Yiu Tim was elected as an independent non-executive director of the seventh session of the Board of the Company at the annual general meeting of 2018. Mr. MA Yiu Tim's qualification is subject to the approval by regulatory authorities.
LI Quan	Executive Director	On 27 June 2019, the 36th meeting of the sixth session of the Board of the Company agreed to nominate Mr. LI Quan as candidate for the executive director of the seventh session of the Board and agreed to submit the nomination to be considered and approved by shareholders at the general meeting. Mr. LI Quan's qualification as a director is subject to the approval by regulatory authorities after the approval of shareholders at the general meeting.

Name	Cessation of Office	Detail
WAN Feng	Chairman, Executive Director, Chairman of the Strategy and Investment Committee of the Board	On 16 January 2019, due to his age, Mr. WAN Feng resigned as the chairman of the Board, an executive director, the chairman of the Strategy and Investment Committee of the Board and all other positions of the Company.
LIU Xiangdong WU Kunzong DACEY John Robert NEOH Anthony Francis	Non-executive Director Non-executive Director Non-executive Director Independent Non-executive Director	On 31 July 2019, due to the expiration of the sixth session of the Board, Mr. LIU Xiangdong, Mr. WU Kunzong and Mr. DACEY John Robert retired as directors of the Company. Mr. NEOH Anthony Francis retired as an independent non-executive director of the Company.

Changes in Information of Directors

1. Mr. LIU Haoling, the chairman and non-executive director of the Company, has served as the deputy general manager and head of the general management department/banking institutions department II of Huijin since June 2019.
2. Ms. XIONG Lianhua, the non-executive director of the Company, has ceased to serve as the director of China Export & Credit Insurance Corporation since July 2019.
3. Mr. HU Aimin, the non-executive director of the Company, has served as general manager of industrial financial development center, the secretary of CPC committee of industrial financial working committee of China Baowu, and the director of Hwabao Investment Co., Ltd. since July 2019. He worked as director of Shanghai Baosteel Packaging Co., Ltd. since June 2019, instead of secretary of CPC committee, senior vice president of Shanghai Baosteel Packaging Co.,Ltd. since July 2019.
4. Mr. LI Qiqiang, the non-executive director of the Company, has served as the secretary of CPC committee of Hwabao Trust Co., Ltd. since June 2019. Since July 2019, he ceased to be the general manager of industrial financial development center, the secretary of CPC committee of industrial financial working committee of China Baowu, the director or general manager of Hwabao Investment Co., Ltd.. Nor did he serve as the assistant to general manager of China Baowu since August 2019.

Note:

1 In accordance with relevant requirements of the Articles of Association, at the first meeting of the seventh session of the Board held on 6 August 2019, the Board resolved to elect Mr. LI Zongjian to perform the duties of the chairman and the legal representative of the Company, with a term commencing from the date of resolution of the Board and ending on the date of approval of the qualification of Mr. LIU Haoling as the chairman.

(II) Changes of Supervisors

Name	Appointment	Detail
LIU Chongsong	Employee Representative Supervisor	Mr. LIU Chongsong was elected as the employee representative supervisor of the seventh session of the board of supervisors of the Company through democratic ways including online voting by employees. On 16 August 2019, Mr. LIU Chongsong's qualification was approved by regulatory authorities.
GAO Lizhi	Shareholder Representative Supervisor	The 18th meeting of the sixth session of the board of supervisors of the Company agreed to nominate Ms. GAO Lizhi as the candidate for shareholder representative supervisor of the seventh session of the board of supervisors on 6 August 2019, and agreed to submit the nomination to be considered and approved by shareholders at the general meeting. Ms. GAO Lizhi's qualification as a supervisor is subject to the approval by regulatory authorities after the approval of shareholders at the general meeting.

Name	Cessation of Office	Detail
BI Tao	Employee Representative Supervisor	On 16 August 2019, due to the expiration of the sixth session of the board of supervisors, Mr. BI Tao retired as an employee representative supervisor of the Company.

(III) Changes of Members of Senior Management

Name	Appointment	Detail
LI Quan	Secretary of CPC Committee, Chief Executive Officer, President	On 27 June 2019, the 36th meeting of the sixth session of the Board agreed to appoint Mr. LI Quan as the chief executive officer and the president of the Company. On 7 August 2019, Mr. LI Quan was appointed as the secretary of CPC committee of the Company by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. On the same day, Mr. LI Quan's qualification as senior management was approved by regulatory authorities.

Name	Cessation of Office	Detail
WAN Feng	Chief Executive Officer, Chief Risk Officer	On 16 January 2019, due to his age, Mr. WAN Feng resigned as the chief executive officer, the chief risk officer and all other positions of the Company.
LIU Qiyan	Assistant to President, Chief Human Resources Officer	On 1 April 2019, Mr. LIU Qiyan tentered his resignation report and resigned as assistant to president, chief human resources officer and all other positions of the Company.

Changes in Information of Senior Management

1. Mr. LI Quan, the chief executive officer and president of the Company, has ceased to serve as the independent director of UEC Group Ltd., the shares of which are listed on the Shenzhen Stock Exchange with stock code 002642, since July 2019.

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 at 30 June 2019, 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.

III. THE COMPANY'S EMPLOYEES

As at 30 June 2019, there are a total of 36,815 employees who entered into employment contracts with the Company (including both the life insurance headquarter and 35 branches).

In accordance with characteristics of the business and demand of talent competition in the market, the Company provides employees with competitive remuneration with reference to that of its counterparts in the industry. The remuneration of the contractual field sales personnel of the Company comprises basic remuneration and performance-based bonus. Insisting on the remuneration philosophy of paying according to the ability, position and performance, the Company encourages employees to steadily meet and exceed the ability and caliber requirements of the positions through self-improving to gain corresponding remuneration treatment. As required by the P.R.C. government, the Company provides employees with social security and housing fund. At the same time, the Company established a variety of benefit plans for its employees, including corporate annuities to meet the diverse needs of different employee groups.

Financial Statements

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 46 to 124, 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 2019 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
28 August 2019

Condensed Consolidated Statement of Financial Position

As at 30 June 2019 (All amounts in RMB million unless otherwise stated)

	Notes	**As at 30 June 2019 Unaudited**	As at 31 December 2018
ASSETS			
Property, plant and equipment		**12,599**	11,794
Investment properties		**6,970**	7,044
Right-of-use assets		**1,096**	–
Intangible assets		**3,630**	3,665
Investments in associates and joint ventures	*7*	**4,847**	4,792
Debt financial assets		**521,416**	459,902
– Held-to-maturity	*8(1)*	**233,535**	214,531
– Available-for-sale	*8(2)*	**232,068**	191,773
– At fair value through profit or loss	*8(3)*	**7,395**	3,089
– Loans and receivables	*8(4)*	**48,418**	50,509
Equity financial assets		**122,225**	116,058
– Available-for-sale	*8(2)*	**115,877**	109,176
– At fair value through profit or loss	*8(3)*	**6,348**	6,882
Term deposits	*8(5)*	**65,690**	64,690
Statutory deposits		**1,715**	1,715
Policy loans		**33,068**	31,327
Financial assets purchased under agreements to resell		**1,761**	4,318
Accrued investment income		**9,560**	8,019
Premiums receivable		**4,394**	2,307
Deferred tax assets	*19*	**907**	1,777
Reinsurance assets		**2,753**	2,691
Other assets		**2,544**	4,825
Cash and cash equivalents		**12,949**	9,005
Total assets		**808,124**	733,929

The notes on pages 52 to 124 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2019 (All amounts in RMB million unless otherwise stated)

	Notes	**As at 30 June 2019 Unaudited**	As at 31 December 2018
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contract liabilities	*9*	**619,426**	591,751
Short-term insurance contract liabilities			
– Outstanding claims liabilities	*9*	**1,059**	1,064
– Unearned premiums liabilities	*9*	**2,513**	1,805
Investment contracts	*10*	**44,445**	40,492
Borrowings	*11*	**4,000**	4,000
Lease liabilities		**910**	–
Financial liabilities at fair value through profit or loss		**475**	92
Financial assets sold under agreements to repurchase	*12*	**40,951**	12,959
Benefits, claims and surrenders payable		**5,906**	5,318
Premiums received in advance		**301**	1,808
Reinsurance liabilities		**495**	462
Provisions	*13*	**29**	29
Other liabilities		**10,803**	7,242
Current income tax liabilities		**157**	1,252
Deferred tax liabilities	*19*	**54**	59
Total liabilities		**731,524**	668,333
Shareholders' equity			
Share capital	*14*	**3,120**	3,120
Reserves	*15*	**34,701**	31,056
Retained earnings		**38,769**	31,411
Equity attributable to owners of the parent		**76,590**	65,587
Non-controlling interests		**10**	9
Total equity		**76,600**	65,596
Total liabilities and equity		**808,124**	733,929

The notes on pages 52 to 124 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

	Notes	For the six months ended 30 June 2019 Unaudited	2018 Unaudited
REVENUES			
Gross written premiums and policy fees	*16*	**74,015**	67,902
Less: premiums ceded out		**(1,248)**	(876)
Net written premiums and policy fees		**72,767**	67,026
Net change in unearned premiums liabilities		**(708)**	(709)
Net premiums earned and policy fees		**72,059**	66,317
Investment income	*17*	**16,684**	16,307
Other income		**349**	343
Total revenues		**89,092**	82,967
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities		**(1,428)**	(1,093)
Life insurance death and other benefits		**(39,623)**	(46,866)
Increase in long-term insurance contract liabilities		**(22,374)**	(11,960)
Policyholder dividends resulting from participation in profits		**(19)**	(35)
Investment contract benefits		**(813)**	(631)
Commission and brokerage expenses		**(8,943)**	(8,657)
Administrative expenses	*18*	**(5,512)**	(5,300)
Other expenses		**(318)**	(237)
Total benefits, claims and expenses		**(79,030)**	(74,779)
Share of profits and losses of associates and joint ventures		**178**	221
Finance costs		**(348)**	(661)
Profit before income tax		**9,892**	7,748
Income tax expense	*19*	**654**	(1,948)
Net profit for the period		**10,546**	5,800
Net profit for the period attributable to:			
– Owners of the parent		**10,545**	5,799
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic	*20*	**3.38**	1.86
Diluted	*20*	**3.38**	1.86

The notes on pages 52 to 124 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Net profit for the period	**10,546**	5,800
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Available-for-sale financial assets		
Changes in fair value	**7,524**	(7,542)
Losses transferred to profit or loss from other comprehensive income	**385**	36
Impairment transferred to profit or loss from other comprehensive income	**1,020**	489
Changes in liabilities for insurance and investment contracts arising from net unrealized gains	**(5,087)**	4,248
Currency translation differences	**3**	2
Share of other comprehensive income of associates and joint ventures under the equity method and the effect on liabilities for insurance and investment contracts	**4**	(40)
Income tax relating to components of other comprehensive income	**(964)**	703
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	–
Total other comprehensive income for the period, net of tax	**2,885**	(2,104)
Total comprehensive income for the period	**13,431**	3,696
Total comprehensive income for the period attributable to:		
– Owners of the parent	**13,430**	3,695
– Non-controlling interests	**1**	1

The notes on pages 52 to 124 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 2019 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2019 (Unaudited)					
	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling Interests	Total equity
As at 1 January 2019	**3,120**	**31,056**	**31,411**	**65,587**	**9**	**65,596**
Net profit for the period	**–**	**–**	**10,545**	**10,545**	**1**	**10,546**
Other comprehensive income	**–**	**2,885**	**–**	**2,885**	**–**	**2,885**
Total comprehensive income	**–**	**2,885**	**10,545**	**13,430**	**1**	**13,431**
Others	**–**	**(25)**	**–**	**(25)**	**–**	**(25)**
Dividends paid	**–**	**–**	**(2,402)**	**(2,402)**	**–**	**(2,402)**
Appropriation to reserves	**–**	**785**	**(785)**	**–**	**–**	**–**
Total transactions with owners	**–**	**785**	**(3,187)**	**(2,402)**	**–**	**(2,402)**
As at 30 June 2019	**3,120**	**34,701**	**38,769**	**76,590**	**10**	**76,600**

	For the six months ended 30 June 2018 (Unaudited)					
	Attributable to owners of the parent					
	Share capital	Reserves	Retained earnings	Total	Non-controlling Interests	Total equity
As at 1 January 2018	3,120	33,395	27,200	63,715	8	63,723
Net profit for the period	–	–	5,799	5,799	1	5,800
Other comprehensive income	–	(2,104)	–	(2,104)	–	(2,104)
Total comprehensive income	–	(2,104)	5,799	3,695	1	3,696
Others	–	(10)	–	(10)	–	(10)
Dividends paid	–	–	(1,622)	(1,622)	–	(1,622)
Appropriation to reserves	–	519	(519)	–	–	–
Total transactions with owners	–	519	(2,141)	(1,622)	–	(1,622)
As at 30 June 2018	3,120	31,800	30,858	65,778	9	65,787

The notes on pages 52 to 124 form an integral part of the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Operating activities		
Cash generated from operating activities	**18,461**	6,624
Tax paid	**(923)**	(2,489)
Net cash inflow/(outflow) from operating activities	**17,538**	4,135
Investing activities		
Cash received/(paid) for investing activities, net	**(60,008)**	(16,769)
Acquisition of a subsidiary, net of cash acquired	**63**	9
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	**2**	1
Purchases of property, plant and equipment, intangible assets and other assets	**(1,513)**	(3,354)
Interest received	**13,486**	12,261
Dividends received	**2,916**	2,961
Financial assets purchased under agreements to resell, net	**2,571**	620
Net cash inflow/(outflow) from investing activities	**(42,483)**	(4,271)
Financing activities		
Capital injected into subsidiaries by non-controlling interests	**41**	110
Financial assets sold under agreements to repurchase, net	**29,109**	28,306
Payment of lease liabilities	**(261)**	–
Net cash inflow/(outflow) from financing activities	**28,889**	28,416
Effects of exchange rate changes on cash and cash equivalents	**–**	54
Cash and cash equivalents at beginning of period	**9,005**	8,812
Cash and cash equivalents at end of period	**12,949**	37,146
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**12,949**	37,146
Short-term bank deposits	**–**	–
Cash and cash equivalents at end of period	**12,949**	37,146

The notes on pages 52 to 124 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 2019 (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 (the "State Council") 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 former China Insurance Regulatory Commission (the "former 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 former CIRC, the Company's registered capital was increased to RMB3,120 million. In 2018, the address of the Company's registered office changed to No.16 East Hunan Road, Yanqing District, Beijing, the PRC. As at the approval date of the interim condensed consolidated financial statements, the Company has not registered the change.

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 2019, 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 interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The interim condensed consolidated financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2018, 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 2018, as described in those annual financial statements, except for the adoption of new accounting standards and amendments effective as at 1 January 2019.

All IFRSs that remain in effect which are relevant to the Group have been applied except for new accounting standards and amendments that are effective but temporary exemption is applied by the Group.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019

Standards/Amendments	Content
IFRS 16	*Leases*
IAS 19 Amendments	*Plan Amendment, Curtailment or Settlement*
IAS 28 Amendments	*Long Term Interest in Associates and Joint Ventures*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

IFRS 16 – Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC Interpretation 4 ("IFRIC-Int 4") *Determining whether an Arrangement contains a Lease*, SIC Interpretation *15 Operating Leases – Incentives* and SIC Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets, if original value of the asset is less than or equal to RMB35,000; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. The Group elected to present the right-of-use assets separately in the statement of financial position. The Group has no lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the recognition exemptions for leases of low value assets and short-term leases with a lease term that ends within 12 months from the date of initial application;
- Applied a single discount rate to leases with the same remaining maturity period;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Relied on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Group adjusted the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) Unaudited
Assets	
Increase in right-of-use assets	1,050
Decrease in other assets	(158)
Increase in total assets	892
Liabilities	
Increase in lease liabilities	892
Increase in total liabilities	892
Effect on retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	Unaudited
Operating lease commitments as at 31 December 2018	1,097
Weighted average incremental borrowing rate as at 1 January 2019	3.898%
Discounted operating lease commitments as at 1 January 2019	927
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(35)
Lease liabilities as at 1 January 2019	892

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. The Group did not have any right-of-use assets which meet the definition of "inventories" or "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IFRS 16 – Leases (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and comprehensive income

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets Buildings	Lease liabilities
At 31 December 2018 (audited)	–	–
Effects of adoption of IFRS 16	1,050	892
As at 1 January 2019	1,050	892
Additions	261	261
Depreciation charge	(215)	–
Interest expense	–	17
Payments	–	(260)
As at 30 June 2019 (unaudited)	1,096	910

The Group recognised rental expenses from short-term and low-value assets leases of RMB99 million for the six months ended 30 June 2019. The Group did not have variable lease payments not based on index or rate nor rental income from subleasing right-of-use assets for the six months ended 30 June 2019.

IAS 19 Amendments – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting for a defined benefit plan when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (i) determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and (ii) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset, reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability or asset.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

IAS 19 Amendments – Plan Amendment, Curtailment or Settlement (Continued)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognised in other comprehensive income. The amendments did not have any impact on the Group's interim condensed consolidated financial information as it did not have any plan amendments, curtailments, or settlements during the period.

IAS 28 Amendments – Long Term Interest in Associates and Joint Ventures

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at equity method in accordance with IAS 28. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(a) New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019 (Continued)

Annual Improvements 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRS 3 *Business Combinations* clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

IFRS 11 *Joint Arrangements* clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

IAS 12 *Income Taxes* clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

IAS 23-*Borrowing Costs* clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group

Standards/Amendments	Content
IFRS 9	*Financial Instruments*
IFRS 9 Amendments	*Prepayment Features with Negative Compensation*

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together all phases of the financial instruments project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018. Based on the current assessment, the Group expects the adoption of IFRS 9 will have a material impact on the Group's interim condensed consolidated financial statements.

Classification and measurement

IFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of a business model (hold to collect contractual cash flows, hold to collect contractual cash flow and sell financial assets or other business model) and contractual cash flow characteristics (sole payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at fair value through profit or loss. Other debt instruments giving rise to cash flows that are sole payments of principal and interest on the principal amount outstanding would be measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), based on their respective business models. The Group is in the process of analyzing the contractual cash flow characteristics of financial assets and assessing the application of the business model.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

Classification and measurement (Continued)

Equity instruments would generally be measured at fair value through profit or loss unless the Group elects to measure at FVOCI for certain equity investments not held for trading. This will result in unrealized gains and losses on equity instruments currently classified as available-for-sale securities being recorded in income going forward. Currently, these unrealized gains and losses are recognised in other comprehensive income ("OCI"). Should the Group elect to record equity investments at FVOCI, gains and losses would never be recognised in income except for the received dividends not representing a recovery of part of the investment cost.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group is in the process of developing and testing the key models required under IFRS 9 and analyzing the impacts on the collective provision.

Hedge accounting

The Group does not apply the hedge accounting currently, so the new hedge accounting model under IFRS 9 has no impact on the Group's interim condensed consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9

Amendments to IFRS 4, address issues arising from the different effective dates of IFRS 9 and IFRS 17. The amendments introduce two options for entities issuing contracts within the scope of IFRS 4 upon the adoption of IFRS 9, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the implementation date of IFRS 9 until the earlier of the effective date of the new insurance contracts standard and annual reporting periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects arising from the adoption of IFRS 9 and reclassify the amounts to other comprehensive income for designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018, or apply the overlay approach when it applies IFRS 9 for the first time.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

The Group performed an assessment of the amendments, reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015, for the reasons that:

(i) the carrying amount of its liabilities arising from contracts within the scope of IFRS 4, which includes any deposit components or embedded derivatives unbundled from insurance contracts is significant compared to the total carrying amount of all its liabilities;

(ii) the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent.

Since 31 December 2015, there had been no significant change in the activities of the Group that requires reassessment. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities since 1 January 2018.

The associates of the Group, China Jinmao Holdings Group Limited ("China Jinmao") and New China Capital International Management Limited ("New China Capital International") adopted Hong Kong Financial Reporting Standards 9 Financial Instruments or IFRS 9 Financial instruments for the financial year beginning on 1 January 2018. The Group elected not to make adjustments for the consistency with accounting policies when using the equity method.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 30 June 2019 and 31 December 2018:

	Fair value as at 30 June 2019 Unaudited	Fair value as at 31 December 2018
Held for trading financial assets (A)	**13,743**	9,971
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**–**	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**427,408**	373,821
– Financial assets with contractual terms that do not meet SPPI terms (D)	**218,361**	207,216
Total	**659,512**	591,008

Note: Only including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and loans and receivables. All other financial assets held by the Group are financial assets that meet SPPI terms.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(i) Fair value of financial assets (Continued)

The table below presents the fair value changes for the six months ended 30 June 2018 and 2019:

	Fair value changes for the six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Held for trading financial assets (A)	**431**	(260)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**–**	–
Non-Class-A and Non-Class-B financial assets		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**(107)**	8,405
– Financial assets with contractual terms that do not meet SPPI terms (D)	**6,978**	(7,365)
Total	**7,302**	780

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 30 June 2019 Unaudited	Carrying amount as at 31 December 2018
AAA	407,020	352,935
AA+	6,001	5,941
AA	2,100	2,258
Total	415,121	361,134

For the overseas bonds that meet SPPI criterion classified as C, Moody's credit rating is used, since there is no domestic rating. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion	Carrying amount as at 30 June 2019 Unaudited	Carrying amount as at 31 December 2018
A1	791	–
Baa1	15	–
Baa2	649	649
Baa3	105	–
B2	10	–
Total	1,570	649

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(b) Accounting standards and amendments that are effective but temporary exemption is applied by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

The additional disclosures about the temporary exemption from IFRS 9 (Continued)

(ii) *Credit risk exposure (Continued)*

	As at 30 June 2019 (Unaudited)	
	Carrying amount	**Fair value**
Financial assets that do not have low credit risk (Note)	**8,111**	**8,161**

	As at 31 December 2018	
	Carrying amount	Fair value
Financial assets that do not have low credit risk (Note)	8,199	8,221

Note: Financial assets that do not have low credit risk refer to financial assets with either credit rating below AAA or Moody's credit rating below Baa3.

IFRS 9 Amendments – Prepayment Features with Negative Compensation

Amendments to IFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit of loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments do not apply to the Group as the Group does not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on IFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. IFRS 9 Amendments is effective for the annual periods beginning on or after 1 January 2019. According to the assessment performed by the Group, the Group reached the conclusion that its activities are predominantly connected with insurance. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(c) New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2019

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 3 Amendments	*Definition of a Business*	1 January 2020
IAS 1 and IAS 8 Amendments	*Definition of Material*	1 January 2020
IFRS 17	*Insurance Contracts*	1 January 2021/Note 1
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Note 2

Note 1: IFRS 17 is effectively for reporting periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In November 2018, the IASB has tentatively decided to defer the effective date of IFRS 17 by one year to the reporting period beginning on or after 1 January 2022. The IASB also tentatively decided to allow insurers qualifying for deferral of IFRS 9 an additional year of deferral, meaning the first time in reporting periods beginning on or after 1 January 2022. In June 2019, the IASB issued an exposure draft containing proposed amendments to IFRS 17, which proposes to defer the mandatory effective date of IFRS 17 by one year, so that the entities will be required to apply IFRS 17 for annual periods beginning on or after 1 January 2022. At the time of issuance of these interim condensed consolidated financial statements, the changes to the effective dates have not yet been finalized by the IASB.

Note 2: 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments, estimates and assumptions made by the Group during the preparation of the interim condensed consolidated 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 assumptions 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 the probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognises 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Significant judgments (Continued)

(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.

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 dividends and expenses 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 recognised in the interim condensed consolidated financial information as insurance contract benefits and insurance contract liabilities. The various assumptions are described in Note 9.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

(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 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.

- 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 values approximate to their carrying amounts.

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

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

The Group classifies certain assets as available-for-sale and recognises 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 recognised in profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

(4) Deferred income tax assets

Deferred income tax assets are recognised 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 recognised.

(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 recognised currently may be significantly different from final settlement amounts actually paid.

(6) Former Chairman Mr. GUAN Guoliang Irregularities

The former chairman Mr. GUAN Guoliang of the Company, who served as the 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

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

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 that 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 that 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.

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. ("Shenzhen Huirun") and issued a plan. On 25 May 2016, the Company received RMB16 million. On 7 August 2018, Beijing No.2 Intermediate People's Court deducted RMB42 million attributable to Tianhuan Real Estate from the bankruptcy of Shenzhen Huirun and issued a plan. According to the plan, the Company should receive RMB41 million. On 21 August 2018, the Company received RMB41 million.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Estimation uncertainty (Continued)

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

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 RMB874 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 anticipated that there has been significant uncertainty in recovering the balance and a provision of RMB874 million was made as at 30 June 2019 (as at 31 December 2018: RMB874 million).

(7) Taxation

The Group pays value added 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 recognises 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 recognised in the condensed consolidated statement of comprehensive income. For the six months ended 30 June 2019, long-term insurance contract liabilities decreased by RMB707 million, and profit before income tax increased by RMB707 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 28 August 2019.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT

The interim condensed consolidated 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 2018. There have been no changes in the Group's risk management process or in relevant risk management policies since 31 December 2018.

(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.

Experience 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(1) Insurance risk (Continued)

(b) Concentration of insurance risk

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

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(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, debt investments and equity investments denominated in currencies other than the functional ones, such as the United States dollar or the Hong Kong dollar, or European dollar.

(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, bank wealth investments 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Credit risk exposure

The carrying amount of financial assets on the Group's interim 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 are guaranteed by third parties, or use the budgeted financial income of the central government as the source of funding for repayment.

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, bank wealth investments products, asset funding plans, asset management products and debt investment plans. The credit rating of debt financial assets 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 bank wealth investments products, asset funding plans, asset management products and debt investment plans are well-known trust companies, asset management companies and large joint-stock commercial banks in the PRC.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(2) Financial risk (Continued)

(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 amounts 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 are the best representation of the Group's maximum exposure to loss from those investments.

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(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 China Bank Insurance Regulatory Commission (the "CBIRC"), are to comply with the insurance capital requirements of the CBIRC 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.

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 2019 Unaudited	As at 31 December 2018
Core capital	**244,257**	221,299
Actual capital	**248,257**	225,299
Minimum capital	**85,749**	82,072
Core solvency margin ratio	**284.85%**	269.64%
Comprehensive solvency margin ratio	**289.52%**	274.51%

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 CBIRC 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 CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the first quarter of 2019 is A.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(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, investment contracts and lease liabilities.

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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 2019. The disclosure below excludes financial instruments of which the fair value approximates to the carrying amount. This is the case because of the short duration of holding of certain trust products, 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 2019.

Available-for-sale financial assets	Fair value	Valuation technique	Significant unobservable inputs	Rate Range	Relationship between unobservable inputs and fair value
Trust products	65,435	Discounted cash flow	Discount rate	4.55%-9.66%	The higher the discount rate, the lower the fair value.
Wealth investment products	65,233	Discounted cash flow	Discount rate	2.80%-5.40%	The higher the discount rate, the lower the fair value.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 2019:

As at 30 June 2019 (Unaudited)	Inputs to fair value measurement 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	68,325	17,403	507	86,235
– Debt financial assets	669	95,731	130,668	227,068
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	6,348	–	–	6,348
– Debt financial assets	1,707	5,688	–	7,395
Total	77,049	118,822	131,175	327,046
Liabilities				
Financial liabilities at fair value through profit or loss	–	475	–	475
Unit-linked contracts	–	141	–	141
Total	–	616	–	616

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 2018:

	Inputs to fair value measurement			
As at 31 December 2018	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	65,362	15,490	616	81,468
– Debt financial assets	879	55,314	130,580	186,773
Financial assets at fair value through profit or loss				
Held for trading				
– Equity financial assets	6,882	–	–	6,882
– Debt financial assets	1,601	1,488	–	3,089
Total	74,724	72,292	131,196	278,212
Liabilities				
Financial liabilities at fair value through profit or loss	–	92	–	92
Unit-linked contracts	–	133	–	133
Total	–	225	–	225

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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

The Group recognised 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 2019 and 2018:

For the six months ended 30 June 2019 (Unaudited)	**Level 1**	**Level 2**
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	**276**	**–**
– Transfer out	**–**	**(276)**
Debt financial assets		
– Transfer in	**323**	**686**
– Transfer out	**(686)**	**(323)**
Financial assets at fair value through profit or loss		
Held for trading		
Debt financial assets		
– Transfer in	**–**	**937**
– Transfer out	**(937)**	**–**

For the six months ended 30 June 2018 (Unaudited)	Level 1	Level 2
Available-for-sale financial assets		
Equity financial assets		
– Transfer in	184	17
– Transfer out	(17)	(184)
Debt financial assets		
– Transfer in	14	50
– Transfer out	(50)	(14)
Financial assets at fair value through profit or loss		
Held for trading		
Equity financial assets		
– Transfer in	2	7
– Transfer out	(7)	(2)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 2019 and for the year ended 31 December 2018.

The changes in Level 3 financial assets are analyzed below:

	Available-for-sale		
	Equity financial assets	**Debt financial assets**	**Total**
1 January 2018	500	134,486	134,986
Purchase	152	4,472	4,624
Maturity	(36)	(8,378)	(8,414)
31 December 2018	616	130,580	131,196
1 January 2019	**616**	**130,580**	**131,196**
Purchase	**7**	**12,251**	**12,258**
Maturity	**(116)**	**(12,163)**	**(12,279)**
30 June 2019 (Unaudited)	**507**	**130,668**	**131,175**

There are no material gains or losses recognised in other comprehensive income or profit or loss for the six months ended 30 June 2019 that are attributable to level 3 financial assets held by the Groups as at 30 June 2019 (as at 31 December 2018: Nil).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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, lease liabilities and borrowings.

The carrying amounts of financial assets and liabilities not measured at fair value approximate to 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 2019 and 31 December 2018:

	As at 30 June 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	17,177	227,085	–	244,262
Loans and receivables	–	–	48,418	48,418
Total	17,177	227,085	48,418	292,680
Liabilities				
Borrowings	–	(4,036)	–	(4,036)
Total	–	(4,036)	–	(4,036)

SECTION 8

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

5 RISK MANAGEMENT (Continued)

(4) Fair value hierarchy (Continued)

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

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	18,342	208,245	–	226,587
Loans and receivables	–	–	50,509	50,509
Investment properties	–	–	8,417	8,417
Total	18,342	208,245	58,926	285,513
Liabilities				
Borrowings	–	(4,061)	–	(4,061)
Total	–	(4,061)	–	(4,061)

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2019 are the same with the segments of the Group for the six months ended 30 June 2018 and the year ended 31 December 2018.

	For the six months ended 30 June 2019 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	72,313	1,702	–	–	74,015
Less: premiums ceded out	(1,234)	(14)	–	–	(1,248)
Net written premiums and policy fees	71,079	1,688	–	–	72,767
Net change in unearned premiums liabilities	(200)	(508)	–	–	(708)
Net premiums earned and policy fees	70,879	1,180	–	–	72,059
Investment income	16,219	176	322	(33)	16,684
Including: inter-segment revenue	33	–	–	(33)	–
Other income	187	5	438	(281)	349
Including: inter-segment revenue	12	1	268	(281)	–
Total revenues	87,285	1,361	760	(314)	89,092
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(737)	(691)	–	–	(1,428)
Life insurance death and other benefits	(39,548)	(75)	–	–	(39,623)
Increase in long-term insurance contract liabilities	(22,344)	(30)	–	–	(22,374)
Policyholder dividends resulting from participation in profits	(19)	–	–	–	(19)
Investment contract benefits	(793)	(20)	–	–	(813)
Commission and brokerage expenses	(8,656)	(287)	–	–	(8,943)
Administrative expenses	(4,641)	(785)	(355)	269	(5,512)
Including: inter-segment expenses	(226)	(36)	(7)	269	–
Other expenses	(129)	(3)	(197)	11	(318)
Including: inter-segment expenses	–	–	(11)	11	–
Total benefits, claims and expenses	(76,867)	(1,891)	(552)	280	(79,030)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2019 (Unaudited) (Continued)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of profits and losses of associates and joint ventures	177	1	–	–	178
Finance costs	(340)	(8)	–	–	(348)
Net profit before income tax	10,255	(537)	208	(34)	9,892
Other segment information:					
Depreciation and amortization	(534)	(84)	(38)	–	(656)
Interest income	14,021	151	189	–	14,361
Impairment	(1,011)	(9)	–	–	(1,020)
Share of profits and losses of associates and joint ventures under the equity method	177	1	–	–	178
Capital expenditure	–	–	1,513	–	1,513

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2018 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	66,516	1,386	–	–	67,902
Less: premiums ceded out	(791)	(85)	–	–	(876)
Net written premiums and policy fees	65,725	1,301	–	–	67,026
Net change in unearned premiums liabilities	(379)	(330)	–	–	(709)
Net premiums earned and policy fees	65,346	971	–	–	66,317
Investment income	16,094	169	43	1	16,307
Including: inter-segment revenue	(1)	–	–	1	–
Other income	215	5	375	(252)	343
Including: inter-segment revenue	7	–	245	(252)	–
Total revenues	81,655	1,145	418	(251)	82,967
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(550)	(543)	–	–	(1,093)
Life insurance death and other benefits	(46,766)	(100)	–	–	(46,866)
Increase in long-term insurance contract liabilities	(11,939)	(21)	–	–	(11,960)
Policyholder dividends resulting from participation in profits	(35)	–	–	–	(35)
Investment contract benefits	(610)	(21)	–	–	(631)
Commission and brokerage expenses	(8,385)	(272)	–	–	(8,657)
Administrative expenses	(4,608)	(661)	(279)	248	(5,300)
Including: inter-segment expenses	(209)	(30)	(9)	248	–
Other expenses	(90)	(3)	(149)	5	(237)
Including: inter-segment expenses	–	–	(5)	5	–
Total benefits, claims and expenses	(72,983)	(1,621)	(428)	253	(74,779)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

	For the six months ended 30 June 2018 (Unaudited) (Continued)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of profits and losses of associates and joint ventures	219	2	–	–	221
Finance costs	(639)	(22)	–	–	(661)
Net profit before income tax	8,252	(496)	(10)	2	7,748
Other segment information:					
Depreciation and amortization	(298)	(42)	(17)	–	(357)
Interest income	13,584	142	82	–	13,808
Impairment	(483)	(6)	–	–	(489)
Share of profits and losses of associates and joint ventures under the equity method	219	2	–	–	221
Capital expenditure	–	–	3,354	–	3,354

Segment assets and liabilities as at 30 June 2019 and 31 December 2018:

As at 30 June 2019 (Unaudited)	**Insurance**		**Others**	**Elimination**	**Total**
	Individual	**Group**			
Segment assets	**757,596**	**8,310**	**42,280**	**(62)**	**808,124**
Segment liabilities	**713,204**	**6,220**	**12,162**	**(62)**	**731,524**

	Insurance		Others	Elimination	Total
As at 31 December 2018	Individual	Group			
Segment assets	688,755	6,850	38,387	(63)	733,929
Segment liabilities	653,705	5,746	8,945	(63)	668,333

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	As at 30 June 2019 Unaudited	As at 31 December 2018
Associates		
China Jinmao	**3,157**	3,078
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (i)	**758**	754
Nanjing Weiyuanzhou Real Estate Co., Ltd. ("Weiyuanzhou")	**166**	179
New China Capital International	**96**	95
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	**9**	11
Joint venture		
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	**661**	675
Total	**4,847**	4,792

(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 approval date of the interim condensed consolidated financial statements, the Company has not signed any sales agreement.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 the last trading day for the six months ended 30 June 2019, the stock price of China Jinmao was HKD4.75 per share.

Except for China Jinmao and New China Capital International, the English names of the associates and joint ventures represent the best effort made by the 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 2019 Unaudited	As at 31 December 2018
Debt financial assets		
Government bonds	**112,548**	86,090
Financial bonds	**32,603**	28,558
Corporate bonds	**40,981**	41,110
Subordinated bonds	**47,403**	58,773
Total	**233,535**	214,531
Debt financial assets		
Listed	**84,138**	70,149
Unlisted	**149,397**	144,382
Total	**233,535**	214,531

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

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

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

Maturity	**As at 30 June 2019 Unaudited**	As at 31 December 2018
Within 1 year (including 1 year)	**13,189**	7,498
After 1 year but within 3 years (including 3 years)	**26,186**	26,920
After 3 years but within 5 years (including 5 years)	**36,226**	34,515
After 5 years	**157,934**	145,598
Total	**233,535**	214,531

(2) Available-for-sale financial assets

	As at 30 June 2019 Unaudited	As at 31 December 2018
Debt financial assets		
Government bonds	**45,215**	7,187
Financial bonds	**20,329**	21,022
Corporate bonds	**14,722**	15,334
Subordinated bonds	**16,134**	12,650
Perpetual bonds	**5,000**	5,000
Trust products	**65,435**	66,281
Wealth investment products	**65,233**	64,299
Subtotal	**232,068**	191,773

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

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

	As at 30 June 2019 Unaudited	As at 31 December 2018
Equity financial assets		
Funds	**34,781**	37,127
Stock	**34,020**	29,466
Preferred stock	**1,954**	1,066
Asset management plans	**15,337**	13,568
Private equity	**6,371**	4,443
Wealth investment products	**7**	116
Equity investment plans	**4,700**	4,700
Other unlisted equity investments	**18,571**	18,565
Others	**136**	125
Subtotal	**115,877**	109,176
Total	**347,945**	300,949
Debt financial assets		
Listed	**14,389**	9,304
Unlisted	**217,679**	182,469
Subtotal	**232,068**	191,773
Equity financial assets		
Listed	**37,725**	32,646
Unlisted	**78,152**	76,530
Subtotal	**115,877**	109,176
Total	**347,945**	300,949

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 2019 Unaudited	As at 31 December 2018
Within 1 year (including 1 year)	**60,022**	29,960
After 1 year but within 3 years (including 3 years)	**85,220**	80,285
After 3 years but within 5 years (including 5 years)	**10,489**	39,318
After 5 years	**76,337**	42,210
Total	**232,068**	191,773

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

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

	As at 30 June 2019 Unaudited	As at 31 December 2018
Held for trading		
Debt financial assets		
Government bonds	**176**	300
Financial bonds	**21**	–
Corporate bonds	**6,684**	2,274
Subordinated bonds	**514**	515
Debt financial assets subtotal	**7,395**	3,089
Equity financial assets		
Funds	**5,169**	5,171
Stocks	**1,179**	1,711
Equity financial assets subtotal	**6,348**	6,882
Total	**13,743**	9,971
Debt financial assets		
Listed	**6,859**	2,330
Unlisted	**536**	759
Subtotal	**7,395**	3,089
Equity financial assets		
Listed	**2,707**	3,375
Unlisted	**3,641**	3,507
Subtotal	**6,348**	6,882
Total	**13,743**	9,971

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

8 FINANCIAL ASSETS (Continued)

(4) Loans and receivables

	As at 30 June 2019 Unaudited	As at 31 December 2018
Asset funding plans (i)	**10,000**	10,000
Debt investment plans (ii)	**37,518**	39,109
Subordinated debt	**900**	1,400
Total	**48,418**	50,509

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

(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.

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	**As at 30 June 2019 Unaudited**	As at 31 December 2018
Within 1 year (including 1 year)	**3,000**	7,000
After 1 year but within 3 years (including 3 years)	**25,600**	19,100
After 3 years but within 5 years (including 5 years)	**37,090**	37,090
More than 5 years	**–**	1,500
Total	**65,690**	64,690

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

Assumptions listed below are reasonable estimates (risk margin excluded).

(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 with risk margins of the Group as at 30 June 2019 and 31 December 2018 are as follows:

	Discount rate assumption
30 June 2019 (Unaudited)	4.50%~5.00%
31 December 2018	4.50%~5.00%

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, in combination with comprehensive premium, with consideration of liquidity spreads, taxation impacts and other relevant factors. The expected spot discount rates of the Group as at 30 June 2019 and 31 December 2018 are as follows:

	Discount rate assumption
30 June 2019 (Unaudited)	3.36%~4.75%
31 December 2018	3.32%~4.75%

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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumption

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), 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.

(c) Expenses assumption

The Group's expenses assumptions are determined based on actual experience analysis, with consideration of future inflation, including assumptions of acquisition costs and maintenance costs. The Group's expenses assumptions are affected by certain factors, such as inflation and market competition. The Group determines expenses assumptions based on the information obtained at the end of each reporting period with the consideration of risk margin.

(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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (Continued)

(1) Process used to determine assumptions (Continued)

(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 period with consideration of risk margin.

(2) Net liabilities of insurance contracts

	As at 30 June 2019 Unaudited	As at 31 December 2018
Gross		
Long-term insurance contract liabilities	**619,426**	591,751
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,059**	1,064
– Unearned premiums liabilities	**2,513**	1,805
Total, gross	**622,998**	594,620
Recoverable from reinsurers		
Long-term insurance contracts	**(2,489)**	(2,240)
Short-term insurance contracts		
– Outstanding claims liabilities	**(33)**	(16)
– Unearned premiums liabilities	**(189)**	(189)
Total, ceded	**(2,711)**	(2,445)
Net		
Long-term insurance contract liabilities	**616,937**	589,511
Short-term insurance contract liabilities		
– Outstanding claims liabilities	**1,026**	1,048
– Unearned premiums liabilities	**2,324**	1,616
Total, net	**620,287**	592,175

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

10 LIABILITIES OF INVESTMENT CONTRACTS

	As at 30 June 2019 Unaudited	As at 31 December 2018
Investment contracts excluding unit-linked contracts	**44,304**	40,359
Unit-linked contracts	**141**	133
Total	**44,445**	40,492

11 BORROWINGS

Upon the approval of the former CIRC in November 2014, the Company completed an offering of 10-year subordinated debts in an aggregate principal amount of RMB4,000 million, 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

12 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 30 June 2019 Unaudited	As at 31 December 2018
By market		
Inter-bank market	**7,100**	2,201
Stock exchange	**33,851**	10,758
Total	**40,951**	12,959
By collateral		
Bonds	**40,951**	12,959
Total	**40,951**	12,959

Maturity	**As at 30 June 2019 Unaudited**	As at 31 December 2018
Within 3 months (including 3 months)	**40,951**	12,959
Total	**40,951**	12,959

As at 30 June 2019, bonds with par value of RMB8,027 million (as at 31 December 2018: RMB2,279 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 the stock exchange's regulation which should be no less than the balances of the related repurchase transactions.

As at 30 June 2019, the amount of financial assets deposited in the collateral pool amounted to RMB92,770 million (as at 31 December 2018: RMB78,197 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

13 PROVISIONS

	Lawsuits and disputes
As at 1 January 2019	29
Increase	–
Decrease	–
As at 30 June 2019 (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 2019 Unaudited	As at 31 December 2018
Number of shares registered, issued and fully paid at RMB1 per share (in million)	**3,120**	3,120

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

15 RESERVES

	As at 30 June 2019 Unaudited	As at 31 December 2018
Share premium	**23,964**	23,964
Other reserve	**(75)**	(50)
Unrealized income/(losses)	**94**	(2,791)
Surplus reserve	**6,011**	5,226
Reserve for general risk	**4,707**	4,707
Total	**34,701**	31,056

Pursuant to a resolution passed at the shareholders' general meeting on 27 June 2019, the Company appropriated a discretionary surplus reserve of RMB785 million, equalling to 10% of the net profit in 2018.

16 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the six months ended 30 June	
	2019 Unaudited	2018 Unaudited
Gross written premiums		
– Insurance contracts	**73,994**	67,870
Policy fees		
– Investment contracts	**21**	32
Gross written premiums and policy fees	**74,015**	67,902

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

17 INVESTMENT INCOME

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Interest income from bank deposits	**1,684**	1,259
Held-to-maturity investments		
– Interest income	**4,893**	4,694
– Net realized gains	**–**	23
Available-for-sale financial assets		
– Interest income	**5,462**	5,232
– Dividend income	**3,225**	3,184
– Net realized gains	**(394)**	(48)
– Impairment losses on equity financial assets	**(1,020)**	(489)
Interest income from loans and receivables	**1,476**	1,888
Interest income from policy loans	**749**	652
Financial assets at fair value through profit or loss		
– Interest income	**73**	38
– Fair value gains/(losses)	**563**	(202)
– Dividend income	**80**	83
– Net realized losses	**(121)**	(54)
Financial liabilities at fair value through profit or loss		
– Fair value gains/(losses)	**(10)**	2
Interest income from financial assets purchased under agreements to resell	**24**	45
Total	**16,684**	16,307

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

18 ADMINISTRATIVE EXPENSES

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Employee benefit expenses (including directors' emoluments)	**4,230**	4,006
Depreciation and amortization	**556**	285
Rent and property management fees	**196**	428
Entertainment fees	**148**	147
Insurance guarantee fund	**141**	126
Official fees	**109**	97
Travel and conference fees	**105**	107
Promotional printing costs	**51**	51
Postal fees	**47**	34
Electronic equipment operating costs	**43**	55
Advertising fees	**38**	46
Less: Expenses recoverable from reinsurers	**(339)**	(228)
Others	**187**	146
Total	**5,512**	5,300

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	
	2019	2018
	Unaudited	Unaudited
Current tax	**(562)**	2,247
Deferred tax	**(92)**	(299)
Total income tax	**(654)**	1,948

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

19 TAXATION (Continued)

(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	
	2019	2018
	Unaudited	Unaudited
Profit before income tax	**9,892**	7,748
Tax computed at the statutory tax rate in China	**2,473**	1,937
Non-taxable income (i)	**(1,240)**	(834)
Expenses not deductible for tax purposes (i)	**28**	841
Effect of unrecognised deferred tax assets arising from deductible losses and deductible temporary differences	**19**	13
Use of deductible tax losses of prior years	**–**	(5)
Past due income tax paid (ii)	**(1,932)**	(2)
Effect of different tax rates used by subsidiaries	**(2)**	(2)
Income tax at the effective tax rate	**(654)**	1,948

(i) Non-taxable income mainly includes government bond interest income and dividend income from funds. 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.

(ii) According to the announcement on the Pre-tax Deduction Policy for commission and brokerage expenses of Insurance Company (Announcement of the Ministry of Finance and State Taxation Administration [2019] No.72), the Group adjusted the past due income tax paid.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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 2018	(1,581)	1,617	36
(Charged)/credited to net profit	(22)	321	299
(Charged)/credited to other comprehensive income	1,755	(1,052)	703
Charged to other reserve	–	3	3
As at 30 June 2018 (Unaudited)	152	889	1,041
As at 1 January 2019	**2,141**	**(364)**	**1,777**
(Charged)/credited to net profit	**(105)**	**192**	**87**
(Charged)/credited to other comprehensive income	**(2,235)**	**1,271**	**(964)**
Credited to other reserve	**–**	**7**	**7**
As at 30 June 2019 (Unaudited)	**(199)**	**1,106**	**907**
Net deferred tax liabilities			
As at 1 January 2018	–	(54)	(54)
(Charged)/credited to net profit	–	–	–
(Charged)/credited to other comprehensive income	–	–	–
As at 30 June 2018 (Unaudited)	–	(54)	(54)
As at 1 January 2019	**1**	**(60)**	**(59)**
(Charged)/credited to net profit	**(1)**	**6**	**5**
(Charged)/credited to other comprehensive income	**–**	**–**	**–**
As at 30 June 2019 (Unaudited)	**–**	**(54)**	**(54)**

As at 30 June 2019, the Group recognised 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

19 TAXATION (Continued)

(4) Deferred income tax assets are recognised 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 recognised. The amount of unused tax losses for which no deferred tax asset is recognised is as follows:

	As at 30 2019 June Unaudited	As at 31 December 2018
Deductible losses	**535**	524

20 EARNINGS PER SHARE

(1) Basic

Basic earnings per share is 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	
	2019 Unaudited	2018 Unaudited
Net profit attributable to shareholders of the Company (RMB in million)	**10,545**	5,799
Weighted average number of ordinary shares issued (in million)	**3,120**	3,120
Basic earnings per share (RMB)	**3.38**	1.86

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018 (unaudited): same).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

21 DIVIDEND

Pursuant to a resolution approved at the shareholders' general meeting on 27 June 2019, a final dividend of RMB0.77 per ordinary share (inclusive of tax) totalling RMB2,402 million was declared.

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 Pension Co., Ltd. ("New China Pension")	Subsidiary of the Company
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Hainan Seniors")	Subsidiary of the Company
Xinhua Haoran Architecture Science and Technology Co., Ltd. ("Xinhua Haoran")	Subsidiary of the Company
Guangzhou Yuerong Project Construction Management Co., Ltd. ("Guangzhou Yuerong")	Subsidiary of the Company
New China Excellent Rehabilitation Hospital Co., Ltd. ("Rehabilitation Hospital")	Subsidiary of the Company
Orient No.1 Funding Plan	Subsidiary of the Company
New China Asset Management – Mingdao Appreciation Asset Management Product ("Mingdao Fund")	Subsidiary of the Company
New China Asset Management Mingde No.1 Asset Management Product ("Mingde Fund")	Subsidiary of the Company
New China Asset Management – Mingren No.1 Asset Management Product ("Mingren No.1")	Subsidiary of the Company
New China Asset Management – Mingren No.3 Asset Management Product ("Mingren No.3")	Subsidiary of the Company
New China Asset Management – Mingren No.4 Asset Management Product ("Mingren No.4")	Subsidiary of the Company
New China Asset Management – Mingren No.6 Asset Management Product ("Mingren No.6")	Subsidiary of the Company
New China Asset Management – Mingzhi No.1 Asset Management Product ("Mingzhi No.1")	Subsidiary of the Company
New China Asset Management – Mingzhi No.2 Asset Management Product ("Mingzhi No.2")	Subsidiary of the Company
New China Asset Management – Mingzhi No.3 Asset Management Product ("Mingzhi No.3")	Subsidiary of the Company
New China Asset Management – Mingzhi No.5 Asset Management Product ("Mingzhi No.5")	Subsidiary of the Company

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties (Continued)

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

Significant related parties	Relationships
New China Asset Management – Jingxing Series Special Products (First Phase) ("Jingxing No.1")	Subsidiary of the Company
New China Asset Management – Mingyi No.1 Asset Management Product ("Mingyi No.1")	Subsidiary of the Company
Lujiazui Trust – Zhongwei Thermoelectricity Perpetual Bond	Subsidiary of the Company
Lujiazui Trust – Zhongwei New Energy Perpetual Bond	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
China Baowu Steel Group Corporation Limited. ("China Baowu")	Shareholder that has significant influence over the Company
FOSUN International Limited and its subsidiaries ("FOSUN International")	Company under direct or indirect control of shareholder that has significant influence over the Company
Hwabao WP Fund Management Co., Ltd ("Hwabao WP Fund")	Company under indirect control of shareholder that has significant influence over the Company
Tebon Fund Management Co., Ltd ("Tebon Fund")	Company under direct or indirect control of shareholder that has significant influence over the Company

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions 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	
	2019	2018
	Unaudited	Unaudited
Transactions between the Group and other related parties		
– Interest from bonds issued by Huijin (i)	**20**	24
– Investment income arising from investing fund of Hwabao WP Fund (ix)	**8**	13
– Investment income arising from investing fund of Tebon Fund (x)	**3**	7
– Investment income/(losses) arising from investing financial assets of FOSUN International (xi)	**(10)**	521
Transactions between the Group and its associates		
– Cash dividends from China Jinmao (ii)	**94**	156
– Cash dividends from New China Capital International	**–**	10
– Cash dividends from Zijin Century	**–**	24
Transactions between the Group and its joint venture		
– Health check and service fee paid to New China Health (iii)	**23**	15
– Rent earned from New China Health (iv)	**6**	7
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company (v)	**200**	188
– Additional capital contribution to Hefei Supporting Operation (Note 26(ii))	**145**	–
– Investment management fee to Asset Management Company (Hong Kong) (v)	**27**	27
– Rent and property fee paid to Xinhua Haoran (vi)	**24**	15
– Rent earned from Asset Management Company (iv)	**7**	7
– Conference and training fees paid to Health Technology (viii)	**6**	3
– Rent earned from New China Pension (iv)	**2**	2
– Sales commissions earned from New China Pension(vii)	**2**	–
– Information technology service fee paid to Electronic Commerce	**–**	2
– Capital contribution to Xinhua Seniors Service	**–**	300
– Capital contribution to Rehabilitation Hospital	**–**	170

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

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 2019. 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 the Company conduct transactions with other entities that are controlled by, under common control or significant influence of Huijin, including deposits, investment custody, agency sales of insurance products and re-insurance transactions.

In 2010, 2015 and 2017 the Company purchased bonds issued by Huijin at a par value of RMB300 million, RMB500 million and RMB400 million from the inter-bank market, respectively. The bond with par value of RMB200 millions, matured in 2018. As at 30 June 2019, the carrying value of these bonds was RMB1,000 million (as at 31 December 2018: RMB1,000 million). The interest on the recognised bonds for the six months ended 30 June 2019 was RMB20 million (for the six months ended 30 June 2018: RMB24 million).

(ii) Cash dividends from China Jinmao

China Jinmao declared the 2018 final dividend of HKD0.1 in cash per ordinary share on 6 June 2019, and the cash dividends recognised but not received by the Company for the six months ended 30 June 2019 amounted to RMB94 million (for the six months ended 30 June 2018: RMB156 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.. Expenses of approximately RMB23 million were incurred for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB15 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(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 2019 was RMB6 million (for the six months ended 30 June 2018: RMB7 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 2019 was RMB7 million (for the six months ended 30 June 2018: RMB7 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 2019 was RMB2 million (for the six months ended 30 June 2018: RMB2 million).

(v) Investment management service agreement

The Company and Asset Management Company entered into an annual investment management service agreement for entrusted investments in 2019. 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 2019. 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(vi) Rent and property management fee paid to Xinhua Haoran

The Company entered into an annual lease and property management contract with Xinhua Haoran in December 2018. According to the contract, the Company rents part of the office building located at No.137 Jinghaisan Avenue, Yi Zhuang, Daxing District, Beijing and receives property management services from Xinhua Haoran. The accrued rent and property expense for the six months ended 30 June 2019 was RMB24 million (for the six months ended 30 June 2018: RMB15 million).

(vii) Sales commissions earned from New China Pension

In 2019, the Company signed a contract with New China Pension for the purpose of assistance in New China Pension's market development. New China Pension paid sales commissions on the basis of the contract. For the six months ended 30 June 2019, the Company recognized the service income amounted to RMB2 million (for the six months ended 30 June 2018: Nil).

(viii) Conference and training fees paid to Health Technology

The Company paid conference service fees and training service fees to Health Technology in 2019. Expenses of approximately RMB6 million were incurred for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB3 million).

(ix) Investment income arising from investing fund of Hwabao WP Fund

In September 2018, the Company and Hwabao Fund signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems public fund of Hwabao Fund with insurance capital in either market in the field or over-the-counter market with certain trading limit. The pricing policy of transaction above are based on general commercial terms and market principle of justice and equity. For the six months ended 30 June 2019, the Company received investment income amounted to RMB8 million (for the six months ended 30 June 2018: RMB13 million).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Significant transactions with related parties (Continued)

(x) Investment income arising from investing fund of Tebon Fund

In November 2018, the Company and Tebon Fund signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems public fund of Tebon Fund with insurance capital in either market in the field or over-the-counter market with certain trading limit. The pricing policy of transaction above are based on general commercial terms and market principle of justice and equity. For the six months ended 30 June 2019, the Company received investment income amounted to RMB3 million (for the six months ended 30 June 2018: RMB7 million).

(xi) Investment income/(losses) arising from investing financial assets of FOSUN International

In November 2018, the Company and FOSUN International signed a continuing connected transactions framework agreement with validity of 1 year. According to the agreement, the Company purchases and redeems financial assets of FOSUN International with insurance fund with certain trading limit. The pricing policy of transaction above is based on general commercial terms and the market principle of justice and equity. For the six months ended 30 June 2019, the Company recognised investment losses amounted to RMB10 million (for the six months ended 30 June 2018: investment income RMB521 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. Sales commissions from New China Pension are calculated based on the negotiated price by both parties. The investment management fees paid 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 check and service fee paid to New China Health is based on the market price. The rent and property fee paid to Xinhua Haoran, and the conference and training fees paid to Health Technology are calculated based on the negotiated prices between transaction parties.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(3) Related party balances

	Group	
	As at 30 June 2019 Unaudited	As at 31 December 2018
Balances of related party transactions		
Interest receivable		
Huijin	**33**	12
Dividends receivable		
China Jinmao	**94**	–
Other receivables		
New China Health	**10**	8
Other payables		
New China Health	**13**	2

	Company	
	As at 30 June 2019 Unaudited	As at 31 December 2018
Receivables from subsidiaries		
Health Technology	**340**	17
Payables to subsidiaries		
Asset Management Company	**35**	36
Asset Management Company (Hong Kong)	**27**	27
Xinhua Haoran	**1**	1
Electronic Commerce	**–**	18

No provisions were held against receivables from related parties as at 30 June 2019.

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(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	
	2019	2018
	Unaudited	Unaudited
Payroll and welfare	**14**	15

(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 to IAS 24 and disclosed only qualitative information.

As at 30 June 2019, most of the 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 2019, 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

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 that 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.

24 COMMITMENTS

(1) Capital commitments

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

	As at 30 June 2019 Unaudited	As at 31 December 2018
Contracted, but not provided for	**3,214**	3,440
Authorized, but not contracted for	**2,108**	177
Total	**5,322**	3,617

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

24 COMMITMENTS(Continued)

(2) 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 2019 Unaudited	As at 31 December 2018
Within 1 year (including 1 year)	**230**	200
Between 1 and 2 years (including 2 years)	**128**	115
Between 2 and 3 years (including 3 years)	**67**	66
Between 3 and 4 years (including 4 years)	**50**	35
Between 4 and 5 years (including 5 years)	**19**	16
More than 5 years	**9**	7
Total	**503**	439

(3) Investment commitments

The Group has signed contracts to purchase equity investments. As at 30 June 2019, a total amount of RMB2,559 million (unaudited) was disclosed as investment commitments contracted but not provided for (as at 31 December 2018: RMB1,647 million).

25 SUBSEQUENT EVENTS

As at the approval date of the interim condensed consolidated financial statements, there is no significant subsequent events that need to be disclosed by the Group.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES

The basic information of the Company's subsidiaries as at 30 June 2019, 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 (i)	Beijing, China	Real estate property development and training	RMB867 million	100%
Xinhua Seniors Service	Beijing, China	Service	RMB964 million	100%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
Electronic Commerce	Beijing, China	Electronic commerce	RMB200 million	100%
Hefei Supporting Operation (ii)	Hefei, China	Real estate property investment and management	RMB3,200 million	100%
New China Pension	Shenzhen, China	Insurance service	RMB5 billion	100%
Hainan Seniors	Qionghai, China	Real estate property development and training	RMB1,908 million	100%
Xinhua Haoran	Beijing, China	Real estate lease and property management	RMB500 million	100%
Guangzhou Yuerong	Guangzhou, China	Real estate property investment and management	RMB10 million	100%
Rehabilitation Hospital	Beijing, China	Medical service	RMB170 million	100%
Orient No.1 Funding Plan	Not applicable	Project investment	RMB10 billion	100%
Mingdao Fund	Not applicable	Asset management product	RMB169 million	94.02%
Mingde Fund	Not applicable	Asset management product	RMB268 million	100%
Mingren No.1	Not applicable	Asset management product	RMB50 million	90.00%
Mingren No.3	Not applicable	Asset management product	RMB100 million	90.00%
Mingren No.4	Not applicable	Asset management product	RMB291 million	87.97%
Mingren No.6	Not applicable	Asset management product	RMB525 million	95.24%
Mingzhi No.1	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.2	Not applicable	Asset management product	RMB100 million	90.00%
Mingzhi No.3	Not applicable	Asset management product	RMB50 million	89.87%
Mingzhi No.5	Not applicable	Asset management product	RMB100 million	90.00%
Jingxing No.1	Not applicable	Asset management product	RMB3,214 million	90.70%
Mingyi No.1	Not applicable	Asset management product	RMB107 million	85.50%
Lujiazui trust – Zhongwei Thermoelectricity Perpetual Bond	Not applicable	Trust product	RMB1 billion	100%
Lujiazui trust – Zhongwei New Energy Perpetual Bond	Not applicable	Trust product	RMB4 billion	100%

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2019 (All amounts in RMB millions unless otherwise stated)

26 INVESTMENTS IN SUBSIDIARIES (Continued)

The basic information of the Company's subsidiaries as at 30 June 2019, all unlisted, is as follows (Continued):

(i) The thirty-third meeting of the sixth session of the Board of Directors in 2019 considered and approved the increase of investment scale of the Health Technology Training Center Project Phase Two by RMB324 million. For the six months ended 30 June 2019, the Company had paid capital investment RMB324 million, and the accumulated actual capital contribution was RMB1,191 million. As at the approval date of the interim condensed consolidated financial statements, Health Technology has not registered the change yet.

(ii) The seventh meeting of the sixth session of the Board of Directors in 2016 considered and 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. Hefei Supporting Operation has registered the change on 25 July 2017. On 28 February 2019, the Company had completed the increased cash contribution of RMB145 million. As at 30 June 2019, the Company's accumulated contribution was RMB1,065 million.

The English names of certain subsidiaries represent the best effort made by the management of the Company in translating their Chinese names as they do not have official English names.

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 28 August 2019.

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