

新華人壽保險股份有限公司

NEW CHINA LIFE INSURANCE CO., LTD.

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

Stock Code : 01336



 **NCI 新华保险**

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2023 Interim Report



IMPORTANT INFORMATION

1. The Board of Directors, the Board of Supervisors and directors, supervisors and members of senior management of the Company guarantee the correctness, accuracy and completeness of the contents of interim 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 2023 of the Company was considered and approved at the 9th meeting of the eighth session of the Board on 29 August 2023, which 11 directors were required to attend and 11 of them attended in person.
3. The 2023 interim condensed consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards 17 – Insurance Contracts and International Financial Reporting Standards 9 – Financial Instruments, etc issued by International Accounting Standards Board, and unaudited.
4. The Company neither distributed interim dividend with profit earned for the reporting period nor increased share capital with capital reserve in the first half of 2023.
5. Mr. ZHANG Hong, the president of the Company, Mr. YANG Zheng, the chief financial officer and person in charge of finance, Mr. GONG Xingfeng, the chief actuary and Mr. ZHANG Tao, the officer in charge of accounting department of the Company, guarantee the correctness, accuracy and completeness of the interim condensed consolidated financial information in the Interim Report 2023.
6. In addition to the facts stated herein, this report includes some forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warranty or undertaking upon its future performance. Investors are advised to exercise caution.
7. No non-operating funds were misappropriated by the controlling shareholder or its related parties for the Company.
8. No external guarantee provided by the Company violated the decision-making procedures of the Company.
9. No more than half of directors of the Company could not guarantee the correctness, accuracy and completeness of this report.
10. The major risks of the Company include market risk, credit risk, insurance risk, operational risk, reputation risk, strategic risk, liquidity risk, etc. The Company has taken various measures to effectively manage and control all sorts of risks. Please refer to the “Management Discussion and Analysis” of this report for details.



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SECTION 1

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
New China Pension	New China Pension Co., Ltd., a subsidiary of the Company
Foundation	New China Life Foundation
Huijin	Central Huijin Investment Ltd.
China Baowu	China Baowu Steel Group Corporation Limited
CBIRC	Former China Banking and Insurance Regulatory Commission, now The National Administration of Financial Regulation
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange, 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 as promulgated by the International Accounting Standards Board
IFRS 4	International Financial Reporting Standards 4 – Insurance Contracts
IFRS 9	International Financial Reporting Standards 9 – Financial Instruments
IFRS 17	International Financial Reporting Standards 17 – Insurance Contracts
Articles of Association	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	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 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)
Board, Board of Directors	The board of directors of the Company
Board of Supervisors	The board of supervisors of the Company

SECTION 2

CORPORATE INFORMATION

BASIC INFORMATION

Legal Name in Chinese	新華人壽保險股份有限公司(簡稱「新華保險」)
Legal Name in English	NEW CHINA LIFE INSURANCE COMPANY LTD. (“NCI”)
Legal Representative	LI Quan ⁽¹⁾
Registered Office	No.16, East Hunan Road, Yanqing District, Beijing, P.R.C. (Zhongguancun Yanqing Park)
Historic Change of Registered Office	The Company changed its registered office from No.1, East Hunan Road, Yanqing District, Beijing, P.R.C. to current address in November 2019.
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
Email	ir@newchinalife.com
Customer Service and Complaint Hotline	95567

CONTACT INFORMATION

Board Secretary/Joint Company Secretary	GONG Xingfeng
Securities Representative	XU Xiu
Telephone	86-10-85213233
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Email	ir@newchinalife.com
Address	NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, P.R.C.
Joint Company Secretary	NG Sau Mei
Telephone	852-35898647
Fax	852-35898359
Email	Jojo.Ng@tmf-group.com
Address	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Note:

1. According to Articles of Association, chairman of the Board also works as legal representative of the Company. Mr. LI Quan resigned as the chairman of the Company on 22 August 2023. The Company will change its legal representative after the qualification of new chairman is ratified by regulatory authority.

INFORMATION DISCLOSURE AND PLACE FOR OBTAINING THE REPORT

Newspapers and Websites for Publishing Interim Report (A Share)	China Securities Journal, http://epaper.cs.com.cn Shanghai Securities News, https://www.cnstock.com
Websites of Stock Exchange for Publishing Interim Report	http://www.sse.com.cn (A Share) http://www.hkexnews.hk (H Share)
Place Where Copies of Interim Report are Kept	Board of Directors Office of the Company

STOCK INFORMATION

Stock Type	Stock Exchange	Stock Name	Stock Code
A Share	The Shanghai Stock Exchange	新華保險	601336
H Share	The Stock Exchange of Hong Kong Limited	NCI	01336

OTHER RELEVANT INFORMATION

A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address	No.188 South Yanggao Road, Pudong New Area, Shanghai, China
H Share Registrar	Computershare Hong Kong Investor Services Limited
Address	Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Domestic Auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Address	30/F, 222 East Yan'an Road, Huangpu District, Shanghai, China
Signing Certified Public Accountants	MA Qianlu and YANG Li
International Auditor	Deloitte Touche Tohmatsu
Address	35/F, One Pacific Place, 88 Queensway, Hong Kong SAR, China
Domestic Legal Advisor	Commerce & Finance Law Offices
Address	China World Office 2, No. 1 Jianguomenwai Avenue, Beijing, China
Hong Kong Legal Advisor	Clifford Chance LLP
Address	27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

SECTION 3

BUSINESS OVERVIEW

Founded in September 1996, New China Life is a large and nationwide life insurance company with its headquarters in Beijing, a member of Fortune 500 and Forbes 500. New China Life has always been committed to forging China's best financial service group with comprehensive life insurance business as its core, and provided customers with protection and wealth planning products and services that cover their entire life cycle. The Company has promoted the development of old-age care and healthcare industries and strived to make assets management business bigger and stronger to greatly support the development of life insurance business.

New China Life offers life insurance products and services to individual customers and institutional customers through nationwide marketing and service networks, manages and deploys insurance funds through its subsidiaries, including Asset Management Company and Asset Management Company (Hong Kong). New China Life was simultaneously listed on the SSE and the HKSE in 2011.

Unit: RMB in millions

1,309,179

Total assets

9,978

Net profit attributable to shareholders of the Company

112,286

Equity attributable to shareholders of the Company

48,951

Total revenues

3.7%

Annualized total investment yield

266,479

Embedded value

2,474

Value of the first half year's new business

239.02%

Comprehensive solvency margin ratio

Vision

To be China's best financial service group with comprehensive life insurance business as its core



LIFE INSURANCE

In the first half of 2023, the Company actively implemented the national strategic deployment, practiced the high-quality development philosophy and insisted on returning to the essence of insurance. The Company strengthened supply-side reform with customers as the center and enhanced the balanced development of all distributional channels to improve team performance. The gross written premiums reached RMB107,851 million with growth rate of 5.1% year-on-year. The value of the first half year's new business realized RMB2,474 million, increasing by 17.1% year-on-year.

WEALTH MANAGEMENT

In the first half of 2023, the Company seized market opportunities and expanded investment assets while achieving excellent return. As of 30 June 2023, the investment assets reached RMB1,259,159 million, increasing by 8.8% compared with the end of last year. The annualized total investment yield was 3.7% and annualized net investment yield was 3.4% at the end of June. The Company managed entrusted assets of RMB624,000 million from the third-party business, up by 45.0% year-on-year. The Company adopted multi-dimensional and diversified market strategies and has cooperated with more than 100 institutions. The Company has a total of 120 portfolio asset management products.

OLD-AGE CARE & HEALTHCARE INDUSTRIES

After years of efforts, the Company has developed a comprehensive old-age care and healthcare service system of "old-age care and healthcare community + nursing and medical care community + leisure and tourism community + health management center" as a way to provide customers with old-age and healthcare, medical care, leisure and tourism, and health management services that cover their entire life cycle.

Lianhuachi Zunxiang community, Yanqing Yixiang community in Beijing and Boao Lexiang community in Hainan province operated efficiently. "U Customer +" health service system was rolled out nationwide with the coverage of over 50 health services such as medical treatment, disease prevention and health improvement. Promotion of long-term care insurance achieved breakthroughs in 3 pilot cities. 19 health management centers were set up across the country and New China Life Rehabilitation Hospital in Beijing can provide health management and special medical treatment, and is positioned to offer customers health testing, health management and rehabilitation nursing.

SECTION 3

BUSINESS OVERVIEW

TECHNOLOGY EMPOWERMENT

The Company vigorously strengthened technology application and innovation, and integrated digital intelligence throughout the entire business development.

The Company built an online platform covering the entire business process. Zhangshang NCI (掌上新華) provides customers with various online services including information updating, claims settlement and renewal premium payment and empowers institution development. The application initially establishes an ecosystem of “insurance + healthcare and old-age care”, which enables customers to enjoy convenient online services at home. New Era (新時代) platform is becoming a powerful intelligent tool for sales team.

The smart customer service cluster built by five major applications of “Zhiduoxin” (智多新) intelligent robots, Suixintong (隨信通), intelligent outbound calls, electronic follow-up and smart teller machines has developed a smart service ecosystem featuring “online + offline, self + remote, manual + intelligent, and traditional + innovative services”. The smart customer service cluster has 370,000 intelligent interactive scenarios, which can meet customers’ needs through multimedia methods. In the first half of 2023, the smart customer service cluster served a total of 11.66 million customers.

SERVING NATIONAL STRATEGIES & FULFILLING SOCIAL RESPONSIBILITIES

The Company supported the development of strategically emerging industries and specialized, refinement, differential and innovation enterprises with investment balance of RMB22,647 million as of 30 June 2023. The Company invested RMB155,557 million to promote coordinated regional development, and put RMB18,684 million to support green industries.

The Company actively promoted policy-oriented medical insurance projects and insured 17.4962 million people. There were also valid insurance projects benefiting over 1.5 million people.

The Company continuously supported rural revitalization with assistance funds of RMB10.4 million and put in place 20 assistance projects.

In the first half of 2023, the Company continued to carry out the “Public Welfare Activity for Sanitation Workers” nationwide through the Foundation. More than 920,000 sanitation workers in nearly 170 cities across China benefited from the project who were provided accident insurance of RMB100,000 per person. The project has donated personal accident insurance with the total sum assured of RMB427,900 million and settled 358 claims with the total payment of RMB32.01 million since its launch in August 2017.

CLAIMS SETTLEMENT SERVICE

As of 30 June 2023, the Company handled a total of 2.07 million claims, with a total compensation payment of RMB7,964 million. The average time from application to settlement for each claim was 0.64 day, and 96.69% claims were submitted online.

BRAND VALUE

Assessment Institution	Honors & Awards
Fortune	Ranking 478 in Fortune 500 in 2023
Forbes	Ranking 497 in World's Top 2000 Public Companies in 2023
Fortune Plus App	Ranking 137 in Fortune China 500 in 2023 Ranking 65 in China's Top 500 Public Companies in 2023
Fitch Ratings	Insurer Financial Strength (IFS) Rating at "A" (Strong)
World Brand Lab	Ranking 84 in China's 500 Most Valuable Brands in 2023
Brand Finance	Ranking 33 in the World's 100 Most Valuable Insurance Brands in 2023
Kantar & China Banking and Insurance News	Top 10 Most Influential Chinese Insurance Brands of BrandZ in 2023

Analysis of Core Competitiveness

Prominent brand value. New China Life has always been committed to forging "China's best financial service group with comprehensive life insurance business as its core" and deepening the "customer-centered" operation philosophy. While serving the national strategy, the real economy and people's livelihoods, the Company leverages the function of insurance and fulfills its mission as an insurance enterprise. In 2023, the Company has been a member of Fortune 500 for 3 consecutive years, a member of world's top 500 public companies by Forbes for 10 consecutive years, and world's top 50 most valuable insurance brands for 9 consecutive years.

Solid main business. The Company has always adhered to the essence of life insurance and made insurance for people, explored market demands and deepened supply-side reform. The Company optimizes marketing channels, improves distribution and service networks and builds a professional and high-quality sales team with a solid and broad customer base. As of 30 June 2023, the Company realized gross written premiums (the "GWP") of RMB107,851 million, up by 5.1% year on year.

Supportive industrial collaboration. With Asset Management Company as the main body, the Company has an integrated wealth management platform with total assets under management over RMB1 trillion. The investment remains prudent and forms excellent synergy with liabilities. The healthcare and old-age care industries support life insurance business greatly. Three old-age care projects "Zunxiang, Lexiang and Yixiang" are put in place. The Company explores experimental marketing and optimizes health management services to improve "product and service" model.

Convenient and high-quality service. The Company continues to strengthen technology application and optimize service supply and process. The intelligent operation and service system improves, diversified services strengthen, and value-added health services extend. Service quality and efficiency continue to improve.

Professional and efficient management. The Company has a management team with rich experience and keen market insight as well as a group of talents with high-quality and professional underwriting, actuarial, risk management skills. Management efficiency constantly improves.

SECTION 4

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	2023	2022		Increase/ decrease over the corresponding period of last year
		Adjusted ⁽¹⁾	Unadjusted	
Total revenues	48,951	51,237	124,085	-4.5%
Profit before income tax	10,716	9,881	4,543	8.5%
Net profit for the period attributable to shareholders of the Company	9,978	9,190	5,187	8.6%
Net cash flows from operating activities	65,508	56,796	57,271	15.3%

	As at 30 June 2023	As at 31 December 2022		Increase/ decrease as compared to the end of last year
		Adjusted	Unadjusted	
Total assets	1,309,179	1,214,936	1,255,044	7.8%
Total liabilities	1,196,870	1,116,940	1,152,139	7.2%
Equity attributable to shareholders of the Company	112,286	97,975	102,884	14.6%

Note:

- The Company adopted IFRS 17 for insurance contracts and IFRS 9 for financial instruments since 1 January 2023. Comparative figures of the prior period are restated according to the requirements of IFRS 17 and IFRS 9. According to requirements of IFRS 17 for insurance contracts, the Company retrospectively restated relevant insurance business data for the same period last year. According to requirements of IFRS 9 for financial instruments, the Company chose not to retrospectively restate relevant investment business data for the same period last year. Similarly hereinafter.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Key Financial Indicators

Unit: RMB in millions

For the six months ended 30 June	2023	2022 Adjusted	2022 Unadjusted	Increase/ decrease over the corresponding period of last year
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	3.20	2.95	1.66	8.5%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	3.20	2.95	1.66	8.5%
Weighted average return on equity attributable to shareholders of the Company	8.68%	9.57%	4.77%	-0.89pt
Weighted average net cash flows from operating activities per share (RMB)	21.00	18.20	18.36	15.4%

	As at 30 June 2023	As at 31 December 2022 Adjusted	As at 31 December 2022 Unadjusted	Increase/ decrease as compared to the end of last year
Net assets per share attributable to shareholders of the Company (RMB)	35.99	31.40	32.98	14.6%

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Other key financial and regulatory indicators

Unit: RMB in millions

Indicators	For the six months ended 30 June 2023/ As at 30 June 2023	For the six months ended 30 June 2022/ As at 31 December 2022	Change
Investment assets ⁽¹⁾	1,259,159	1,157,622	8.8%
Annualized total investment yield ⁽²⁾	3.7%	4.2%	-0.5pt
Insurance revenue	26,593	28,440	-6.5%
Insurance service expenses	17,590	17,423	1.0%
Reinsurance contracts assets	9,968	10,590	-5.9%
Insurance contract liabilities	1,103,982	1,013,191	9.0%
Surrender rate ⁽³⁾	1.1%	1.0%	0.1pt

Notes:

1. According to IFRS 17, policyholder loan is included in insurance contract liabilities rather than a part of investment assets and the interest income generated from is no longer part of investment income. Investment assets as at 31 December 2022 and investment income for the six months ended 30 June 2022 are restated in accordance with rules above. Similarly hereinafter.
2. Annualized total investment yield = (total investment income – interest expenses of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables)*2.
3. Surrender rate = surrenders for the reporting period/(balance of life insurance and long-term health insurance contract liabilities at the beginning of the period + premium income of long-term insurance contracts). The indicator is calculated on the basis of IFRS 4.

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

There is no difference in the consolidated net profit of the Company for the six months ended 30 June 2023 and the consolidated equity of the Company as at 30 June 2023 as stated in the interim condensed financial statements prepared in accordance with the IFRS and the P.R.C. GAAP.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB in millions

Balance sheet	As at 30 June 2023	As at 31 December 2022	Change	Reason(s) of change
Financial assets at fair value through profit or loss	363,802	79,465	357.8%	The implementation of the new accounting standards for financial instruments
Debt investments at amortized cost	293,168	N/A	N/A	The implementation of the new accounting standards for financial instruments
Debt investments at fair value through other comprehensive income	318,592	N/A	N/A	The implementation of the new accounting standards for financial instruments
Equity instruments designated at fair value through other comprehensive income	5,786	N/A	N/A	The implementation of the new accounting standards for financial instruments
Held-to-maturity investments	N/A	378,391	N/A	The implementation of the new accounting standards for financial instruments
Available-for-sale financial assets	N/A	375,654	N/A	The implementation of the new accounting standards for financial instruments
Loans and receivables	N/A	47,456	N/A	The implementation of the new accounting standards for financial instruments
Accrued investment income	413	15,137	-97.3%	The implementation of the new accounting standards for financial instruments
Deferred tax assets	4,711	7,890	-40.3%	Decrease of deductible temporary difference
Other assets	3,280	6,544	-49.9%	Decrease of investment clearing account payables
Financial liabilities at fair value through profit or loss	4,066	25,877	-84.3%	Decrease in payables to third party investors of controlled structured entities classified as equity investment
Other liabilities	31,581	23,322	35.4%	Increase in payables to asset funding plans and cash dividends payable

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB in millions

Income statement	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change	Reason(s) of change
Net expenses from reinsurance contracts held	(377)	41	N/A	Affected by the expected recovered claims and the distribution of the investment component of the expected recovered claims over the insurance period
Net impairment losses on financial assets	49	(569)	N/A	Impact of implementation of the new accounting standards for financial instruments and reversal of impairment loss on financial assets
Total other comprehensive income for the period, net of tax	(8,642)	(4,800)	80.0%	Increase of finance expenses from insurance contracts issued included in other comprehensive income
Total comprehensive income for the period	1,338	4,392	-69.5%	Decrease of other comprehensive income, net of tax

II. BUSINESS ANALYSIS

(1) Insurance Business

In the first half of 2023, as China's macro-economic policies were introduced to stabilize economic growth, production and consumption demands steadily recovered, and residents' demands for protection and wealth planning continued to be released. The life insurance industry actively improved product and service supply, deepened value creation, pushed forward ecological construction and integrated development, which brought rapid development of insurance business.

In the first half of 2023, the Company adhered to the general principle of "seeking progress while ensuring stability and turning defense into attack", accelerated transformation and development. Long-term regular premium business registered a strong momentum and renewal premiums constituted a solid foundation. The business quality improved, as the value of the first half year's new business increased significantly and the premium volume improved steadily.

Business volume

As of 30 June 2023, the Company realized GWP of RMB107,851 million with growth rate of 5.1% year on year. First year premiums from long-term insurance business totaled RMB33,859 million, increasing by 14.8% year on year. First year regular premiums from long-term insurance business totaled RMB17,482 million, increasing by 42.9% year on year. Renewal premiums amounted to RMB71,552 million, growing by 1.9% year on year.

Embedded value

As of 30 June 2023, the embedded value of the Company reached RMB266,479 million, increasing by 4.3% compared with the end of last year. The Company realized the value of the first half year's new business of RMB2,474 million, increasing by 17.1% year on year.

Business structure

The Company focused on the development of regular premium business and optimized business structure. As of 30 June 2023, first year regular premiums from long-term insurance business accounted for 51.6% of first year premiums from long-term insurance business, an increase of 10.1 percentage points over the corresponding period of last year. Renewal premiums accounted for 66.3% of GWP, being a solid foundation for premium volume. First year premiums from long-term traditional insurance business accounted for 97.3% of first year premiums from long-term insurance business, rising up a lot compared with the corresponding period of last year.

Business quality

In the first half of 2023, 13-month persistency ratio of individual life insurance business was 89.2%, up by 4.9 percentage points year on year. 25-month persistency ratio of individual life insurance business was 79.0%, decreasing by 3.7 percentage points year on year. The surrender rate reached 1.1% from January to June 2023, remaining basically flat compared with the same period of last year.

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
GWP	107,851	102,586	5.1%
First year premiums from long-term insurance business	33,859	29,486	14.8%
Regular premiums	17,482	12,230	42.9%
Regular premiums with payment periods of ten years or more	1,756	1,626	8.0%
Single premiums	16,377	17,256	-5.1%
Renewal premiums	71,552	70,212	1.9%
Premiums from short-term insurance business	2,440	2,888	-15.5%

Notes:

- Numbers may not be additive due to rounding.
- The GWP and premiums mentioned above are calculated pursuant to IFRS 4. Similarly hereinafter.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis by distribution channels

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
Individual insurance channel			
First year premiums from long-term insurance business	8,338	7,822	6.6%
Regular premiums	7,940	7,446	6.6%
Single premiums	398	376	5.9%
Renewal premiums	60,127	60,616	-0.8%
Premiums from short-term insurance business	746	1,114	-33.0%
Total	69,211	69,552	-0.5%
Bancassurance channel			
First year premiums from long-term insurance business	25,440	21,610	17.7%
Regular premiums	9,511	4,756	100.0%
Single premiums	15,929	16,854	-5.5%
Renewal premiums	11,383	9,575	18.9%
Premiums from short-term insurance business	7	10	-30.0%
Total	36,830	31,195	18.1%
Group insurance			
First year premiums from long-term insurance business	81	54	50.0%
Renewal premiums	42	21	100.0%
Premiums from short-term insurance business	1,687	1,764	-4.4%
Total	1,810	1,839	-1.6%
GWP	107,851	102,586	5.1%

Note: Numbers may not be additive due to rounding.

(1) Individual life insurance business

① Individual insurance channel

In the first half of 2023, the individual insurance channel focused on business value, and accelerated the business transformation with long-term protection products as the core and speed up the team transformation with cultivating high-performing agents as the core. The Company strengthened the basic management and improved the infrastructure for high-quality development of individual insurance channel. Due to such efforts, the first year premiums bottomed out, high-performing agents grew and productivity per capita doubled.

As of 30 June 2023, individual insurance channel realized premiums of RMB69,211 million, decreasing by 0.5% year on year. The first year regular premiums from long-term insurance business amounted to RMB7,940 million, representing an increase of 6.6% year on year. The agent headcounts in individual insurance channel totaled 171,000. The monthly average number of qualified agents⁽¹⁾ was 34,000, and monthly average qualified rate⁽²⁾ was 18.6%, increasing by 1.1 percentage points year on year. The monthly average comprehensive productivity per capita⁽³⁾ was RMB8,103, growing by 111.0% year on year.

② Bancassurance channel

In the first half of 2023, centering on customers' needs, the bancassurance channel strengthened the promotion of whole life insurance and annuity insurance products to meet the diversified needs of customers. The Company continuously deepened the business transformation towards long-term regular insurance business and deepened cooperation with important partners. As a result, regular premium business registered positive growth in important cooperation partners and production of sales team and branches all increased.

As of 30 June 2023, bancassurance channel realized premiums of RMB36,830 million, increasing by 18.1% year on year. First year regular premiums from long-term insurance business amounted to RMB9,511 million, representing an increase of 100.0% year on year. Renewal premiums totaled RMB11,383 million, up by 18.9% year on year.

Notes:

1. Monthly average number of qualified agents = (Σnumber 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 short-term accident insurance policy) which are not cancelled by policy holders in a month and whose first year commission in the month is equal to 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={Σ [(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.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Group insurance business

Group insurance strived to meet the requirements of high-quality development, optimized the business structure and improved business performance. The Company promoted the healthy development of short-term insurance business, actively fulfilled corporate social responsibility and served people's livelihoods. The Company implemented national requirements on developing the commercial pension insurance as the third pillar, enhanced the promotion of policy-oriented insurance business and helped construct a multi-level medical security system.

As of 30 June 2023, group insurance realized premiums of RMB1,810 million, decreasing by 1.6% year on year. The Company participated in 36 insurance projects in 16 cities, benefiting 1.5 million people. The Company realized premiums of RMB610 million from policy-oriented health insurance, increasing by 13.6% year on year. The policy-oriented health insurance covered 17.496 million customers, rising by 26.3% year on year.

2. Analysis by types of insurance products

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
GWP	107,851	102,586	5.1%
Traditional insurance	61,250	33,793	81.3%
First year premiums from long-term insurance business	32,955	9,795	236.4%
Renewal premiums	28,245	23,935	18.0%
Premiums from short-term insurance business	50	63	-20.6%
Participating insurance⁽¹⁾	16,012	35,781	-55.2%
First year premiums from long-term insurance business	1	16,868	-100.0%
Renewal premiums	16,011	18,913	-15.3%
Premiums from short-term insurance business	–	–	–
Universal insurance⁽¹⁾	27	23	17.4%
First year premiums from long-term insurance business	–	–	–
Renewal premiums	27	23	17.4%
Premiums from short-term insurance business	–	–	–
Health insurance	30,040	32,122	-6.5%
First year premiums from long-term insurance business	903	2,823	-68.0%
Renewal premiums	27,269	27,341	-0.3%
Premiums from short-term insurance business	1,868	1,958	-4.6%
Accident insurance	522	867	-39.8%
First year premiums from long-term insurance business	–	–	–
Renewal premiums	–	–	–
Premiums from short-term insurance business	522	867	-39.8%

Note:

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

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MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2023, the Company achieved GWP of RMB107,851 million with growth rate of 5.1% year on year. Premiums from traditional insurance reached RMB61,250 million, increasing by 81.3% year on year. Premiums from participating insurance amounted to RMB16,012 million, decreasing by 55.2% year on year. Premiums from health insurance amounted to RMB30,040 million, decreasing by 6.5% year on year. Premiums from accident insurance reached RMB522 million, reducing by 39.8% year on year. The changes of premiums mentioned above are mainly due to the changes of first year premiums resulting from the product structure adjustments.

3. Analysis by branches

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
GWP	107,851	102,586	5.1%
Shandong Branch	10,223	9,982	2.4%
Beijing Branch	7,530	6,344	18.7%
Henan Branch	7,284	8,921	-18.3%
Zhejiang Branch	6,192	4,938	25.4%
Guangdong Branch	6,176	4,795	28.8%
Shaanxi Branch	5,693	5,220	9.1%
Hubei Branch	5,031	5,359	-6.1%
Jiangsu Branch	4,978	6,200	-19.7%
Inner Mongolia Branch	4,265	3,985	7.0%
Hunan Branch	3,878	3,835	1.1%
Other Branches	46,601	43,007	8.4%

In the first half of 2023, about 56.8% of GWP of the Company were derived from ten branches in populous areas or developed regions such as Shandong, Beijing and Henan.

4. Business quality

For the six months ended 30 June	2023	2022	Change
Persistency ratio of individual life insurance business			
13-month persistency ratio ⁽¹⁾	89.2%	84.3%	4.9pt
25-month persistency ratio ⁽²⁾	79.0%	82.7%	-3.7pt

Notes:

- 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.
- 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.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

5. Analysis of insurance revenue and insurance service expenses

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
Insurance revenue	26,593	28,440	-6.5%
Traditional insurance	3,034	2,692	12.7%
Participating insurance ⁽¹⁾	3,741	3,902	-4.1%
Universal insurance	61	61	–
Health insurance	19,172	20,896	-8.3%
Accident insurance	585	889	-34.2%
Insurance service expenses	17,590	17,423	1.0%
Traditional insurance	2,850	2,463	15.7%
Participating insurance ⁽¹⁾	2,032	2,770	-26.6%
Universal insurance	126	25	404.0%
Health insurance	12,043	11,494	4.8%
Accident insurance	539	671	-19.7%
Insurance service result of insurance contracts issued	9,003	11,017	-18.3%

Note:

- Participating insurance is insurance business with direct participating features.

In the first half of 2023, insurance service result of insurance contracts issued decreased by 18.3% compared with the same period of last year, of which, the insurance revenue decreased by 6.5% compared with the same period of last year mainly due to the reduction in insurance revenue from health insurance. The insurance service expenses increased by 1.0% compared with the same period of last year mainly due to the increase in insurance service expenses incurred for health insurance.

6. Analysis on insurance contract liabilities

Unit: RMB in millions

Component	As at 30 June 2023	As at 31 December 2022	Change
Liabilities for remaining coverage	1,090,553	1,000,132	9.0%
Liabilities for incurred claims	13,429	13,059	2.8%
Insurance contract liabilities in total	1,103,982	1,013,191	9.0%
Insurance contracts not measured with premium allocation approach	1,100,678	1,010,171	9.0%
Insurance contracts measured with general model	488,817	407,659	19.9%
Insurance contracts measured with variable fee approach	611,861	602,512	1.6%
Insurance contracts measured with premium allocation approach	3,304	3,020	9.4%
Insurance contract liabilities in total	1,103,982	1,013,191	9.0%
Including: Contractual service margin for issued insurance contracts	171,364	175,317	-2.3%

In the first half of 2023, insurance contract liabilities increased by 9.0% compared with the end of the previous year, of which the liabilities for remaining coverage up by 9.0% compared with the end of the previous year.

(2) Asset management business

Though China's economy has recovered since the beginning of 2023, the endogenous momentum is insufficient and the demand is still weak. In the first half of the year, there were ups and downs in China's stock market. Telecom, media and technology took the lead and structural market continued, but stock market was weakening in the second quarter. The interest rates represented by 10-year treasury bonds have declined. The potential credit risks are still large and high-quality assets are still scarce.

As of the end of 2023, the investment assets amounted to RMB1,259,159 million, increasing by 8.8% compared with the end of last year. The Company has always adhered to value-oriented investment, prudently controlled positions, grasped structural opportunities and dynamically adjusted investment portfolio according to the market pace and situation. Given the low interest rate and assets shortage, based on the principle of assets liabilities matching, the Company, on the one hand, effectively undertakes and alleviates the pressure of large-scale assets allocation through combining short-duration varieties with long-term interest rate bonds, and appropriately extends assets duration. On the other hand, the Company is still looking for high-quality projects and taking measures to effectively prevent credit risks.

By the end of June 2023, Asset Management Company managed entrusted assets of RMB624,000 million from the third-party business, representing a year-on-year increase of 45.0%. Among them, portfolio products issued by insurance asset management companies reached RMB580,400 million, increasing by RMB199,900 million compared to the same period of 2022, which maintained annual growth of over RMB100,000 million for 3 consecutive years.

The Company has built an active post-investment management model, optimized the post-investment management process and maximised support for the development of invested enterprises as a way to increase the income from the utilization of insurance funds.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB in millions

	As at 30 June 2023		As at 31 December 2022		Amount change
	Amount	Proportion	Amount	Proportion	
Investment assets	1,259,159	100%	1,157,622	100%	8.8%
Classified by investment type					
Cash and cash equivalents ⁽¹⁾	18,586	1.5%	17,586	1.5%	5.7%
Term deposits ⁽¹⁾	244,559	19.4%	227,547	19.7%	7.5%
Financial investments					
Bonds	577,849	45.9%	481,752	41.6%	19.9%
Trust products	51,622	4.1%	70,146	6.1%	-26.4%
Debt investment plans ⁽²⁾	48,459	3.8%	46,663	4.0%	3.8%
Stocks ⁽³⁾	98,681	7.8%	82,164	7.1%	20.1%
Funds	89,038	7.1%	87,131	7.5%	2.2%
Other financial investments ⁽⁴⁾	115,699	9.2%	113,110	9.8%	2.3%
Investments in associates and joint ventures	5,757	0.5%	5,820	0.5%	-1.1%
Other investment assets ⁽⁵⁾	8,909	0.7%	25,703	2.2%	-65.3%
Classified by accounting methods					
Financial assets at fair value through profit or loss	363,802	28.9%	79,465	6.9%	357.8%
Debt investments at fair value through other comprehensive income	318,592	25.3%	N/A	N/A	N/A
Equity investments designated at fair value through other comprehensive income	5,786	0.5%	N/A	N/A	N/A
Debt investment and others	565,222	44.8%	N/A	N/A	N/A
Available-for-sale financial assets	N/A	N/A	375,654	32.4%	N/A
Held-to-maturity investments	N/A	N/A	378,391	32.7%	N/A
Loans and others	N/A	N/A	318,292	27.5%	N/A
Investments in associates and joint ventures	5,757	0.5%	5,820	0.5%	-1.1%

Notes:

- 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.
- Debt investment plans mainly consist of infrastructure and real estate funding projects.
- Stocks include common stocks and preferred stocks.
- Other financial investments include asset management plans, private equity, equity investment plans, unlisted equity investments, perpetual bonds, certificates of deposit, etc.
- Other investment assets mainly include statutory deposits, financial assets purchased under agreements to resell, dividend receivables and interest receivables, etc.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

2. Investment income

Unit: RMB in millions

For the six months ended 30 June	2023	2022	Change
Interest income from cash and cash equivalents	114	93	22.6%
Interest income from term deposits	4,063	3,422	18.7%
Interest and dividend income from financial investments	15,734	20,200	-22.1%
Interest income from other investment assets ⁽¹⁾	136	131	3.8%
Net investment income⁽²⁾	20,047	23,846	-15.9%
Realized gains/(losses) on investment assets	(5,517)	(1,528)	261.1%
Unrealized gains/(losses) on investment assets	7,311	(331)	N/A
Net impairment losses on financial assets	49	(568)	N/A
Share of results of associates and joint ventures under equity method	9	165	-94.5%
Total investment income⁽³⁾	21,899	21,584	1.5%
Annualized net investment yield ⁽⁴⁾	3.4%	4.6%	-1.2pt
Annualized total investment yield ⁽⁴⁾	3.7%	4.2%	-0.5pt

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits and financial assets purchased under agreements to resell, etc.
2. Net investment income includes interest and dividend income from cash and cash equivalents, term deposits, and financial investments, etc.
3. Total investment income = net investment income + realized (losses)/gains on investment assets + unrealized losses + impairment losses on investment assets + share of results of associates and joint ventures under equity method.
4. Annualized investment yield = (investment income – interest expenses of financial assets sold under agreements to repurchase)/(monthly average investment assets – monthly average financial assets sold under agreements to repurchase – monthly average interest receivables) *2.
5. Investment income for the six months ended 30 June 2022 are restated in accordance with IFRS 17.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

3. Investment in non-standard assets

The overall credit risks of non-standard assets that the Company currently holds are within control with most of the underlying assets being loans in institutional financing of non-banking sectors, infrastructure financing and commercial real estate financing. The enterprises involved are industrial giants, large financial institutions, central enterprises and important state-owned enterprises in the first and second tier cities. As at 30 June 2023, the non-standard assets amounted to RMB183,703 million, decreasing by RMB37,410 million compared with the end of last year, accounting for 14.6% of total investment assets, reducing by 4.5 percentage points compared with the end of last year. The non-standard assets that the Company held had good credit enhancement measures. Apart from financing entities which are exempted from credit enhancement requirements by regulatory authorities, most of non-standard assets take the following credit enhancement measures, such as mortgage and pledge, joint guarantee, repurchase agreement, and management of funds, so the non-standard assets are with high quality and low risk.

(1) Ratings

Excluding non-fixed income financial products and portfolio products issued by insurance asset management companies not requiring external ratings, the existing non-standard assets of the Company with AAA ratings accounted for 97.85% of total non-standard assets as at 30 June 2023. The overall credit risk was limited.

(2) Investment portfolio

Unit: RMB in millions

As at 30 June 2023	Amount	Proportion	Proportion change compared with the end of last year	Amount change compared with the end of last year
Non-standard financial assets				
– Trust products	51,622	28.1%	-3.6pt	(18,524)
– Debt investment plans	48,459	26.4%	5.3pt	1,796
– Asset management plans	42,150	22.9%	-5.5pt	(20,594)
– Unlisted equity investments	11,906	6.5%	-1.1pt	(4,802)
– Others	29,566	16.1%	4.9pt	4,714
Total	183,703	100.0%		(37,410)

Note: Others include private equity, equity investment plans, wealth investment products, etc.

(3) Major management institutions

Unit: RMB in millions

As at 30 June 2023	Paid amount	Proportion
New China Asset Management Co., Ltd.	71,703	39.0%
Zhongrong International Trust Co., Ltd.	12,549	6.8%
Taikang Asset Management Co., Ltd.	8,339	4.6%
China Insurance Investment Co., Ltd.	8,143	4.4%
Cigna & CMB Asset Management Company Limited	6,648	3.6%
Bridge Trust Co., Ltd.	6,026	3.3%
Everbright Xinglong Trust Co., Ltd.	5,486	3.0%
China Fortune International Trust Co., Ltd.	4,993	2.7%
Zhongyuan Trust Co., Ltd.	4,641	2.6%
Dongguan Trust Co., Ltd.	3,937	2.1%
Total	132,465	72.1%

III. ANALYSIS BY COMPONENT

(I) Solvency

New China Life Insurance Company Ltd. calculated and disclosed core capital, actual capital, minimum capital, core solvency margin ratio and comprehensive solvency margin ratio according to the *Solvency Regulatory Rules II for Insurance Companies*. As required by the CBIRC, solvency margin ratios of a domestic insurance company in the PRC must meet the prescribed thresholds.

Unit: RMB in millions

	As at 30 June 2023	As at 31 December 2022	Reason(s) of change
Core capital	153,029	143,990	Changes in fair value of available-for-sale financial assets ⁽²⁾ and growth in insurance business
Actual capital	248,975	244,069	
Minimum capital	104,164	102,463	Growth and structural changes in insurance and investment businesses
Core solvency margin ratio⁽¹⁾	146.91%	140.53%	
Comprehensive solvency margin ratio⁽¹⁾	239.02%	238.20%	

Notes:

- Core solvency margin ratio = core capital/minimum capital, comprehensive solvency margin ratio = actual capital/minimum capital.
- Available-for-sale financial assets are recognized and measured according to the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* issued by the Ministry of Finance of the People's Republic of China in 2006.

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Liquidity

1. Gearing ratio

	As at 30 June 2023	As at 31 December 2022
Gearing ratio ⁽¹⁾	91.4%	91.9%

Note:

- Gearing ratio = total liabilities/total assets.

2. Consolidated statement of cash flows

Unit: RMB in millions

For the six months ended 30 June	2023	2022 ⁽¹⁾	Change
Net cash flows from operating activities	65,508	56,796	15.3%
Net cash flows from investing activities	(76,696)	(48,448)	58.3%
Net cash flows from financing activities	12,140	(6,216)	N/A

Note:

- Cash flows for the six months ended 30 June 2022 are restated in accordance with IFRS 17.

The net cash inflows from operating activities in the first half of 2023 increased by 15.3% compared with the same period of last year mainly due to the increase of cash received from insurance premiums.

The net cash outflows from investing activities in the first half of 2023 increased by 58.3% compared with the same period of last year mainly due to the increase of cash paid for investments.

The net cash flows from financing activities in the first half of 2023 have turned from net outflow last year to net inflow this year mainly because cash generated from financial assets sold under agreements to repurchase have turned from net outflow last year to net inflow this year.

3. Source and use of liquidity

The principal cash inflows of the Company are comprised of insurance premiums, proceeds from disposals and maturity of investment assets and investment income. The liquidity risks with respect to these cash inflows primarily arise from surrenders of policyholders and contract holders, defaults by debtors, fluctuation of interest rate and other market fluctuations. The Company closely monitors and manages these risks.

The cash and bank deposits of the Company provided liquidity resources to satisfy the requirements of cash outflows. Substantially all of the Company's term deposits were available for utilization subject to interest losses. As of the end of the reporting period, cash and cash equivalents amounted to RMB18,586 million and term deposits amounted to RMB244,559 million. Moreover, the investment portfolio also provided liquidity resources to satisfy the requirements of unexpected cash outflows. As of the end of the reporting period, the book value of financial assets such as bonds, stocks and funds reached RMB981,348 million.

The principal cash outflows of the Company are comprised of liabilities associated with various life insurance, annuity insurance, accident insurance and health insurance products, 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 insurance activities primarily relate to benefit payments of insurance products, as well as payments for policy surrenders and policy loans.

The sources of liquidity are sufficient to meet the Company's 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 and China Life Reinsurance Company Ltd., etc.

1. Premiums ceded out for reinsurers

Unit: RMB in millions

For the six months ended 30 June	2023	2022
Swiss Reinsurance Company Ltd. Beijing Branch	926	976
China Life Reinsurance Company Ltd.	354	370
Others ⁽¹⁾	77	98
Total	1,357	1,444

Notes:

1. Others primarily included SCOR SE Beijing Branch and General Reinsurance AG Shanghai Branch, etc.
2. Premiums ceded out are calculated pursuant to IFRS 4. Similarly hereinafter.

2. Premiums ceded out by insurance products

Unit: RMB in millions

For the six months ended 30 June	2023	2022
Life insurance	129	124
Health insurance	1,215	1,302
Accident insurance	13	18
Total	1,357	1,444

SECTION 4

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FUTURE PROSPECTS

(I) Market environment and operation plan

In the current and future period, global economic growth is slowing down. China's economy is recovering as a whole, but the foundation for such recovery is not solid. There are opportunities and challenges in the development of life insurance business. Regulators have guided life insurance industry to push forward supply-side reform around the quality of sales team, products and services to fully meet the needs of economic and social development. In the second half of 2023, the Company will strive for high-quality development, deepen transformation and development, continue to improve product and service and strictly prevent risks.

First, promote the collaboration and integration development. The Company will explore demands in life insurance market, strengthen assets liabilities synergy and optimize the development of old-age care and healthcare industries. The Company will strengthen technological empowerment, and accelerate the innovation and upgrading of products and services so as to build an ecosystem of protection, wealth planning, old-age care and healthcare services that covers the whole life cycle of customers.

Second, strengthen the building of high-performing sales team. Focusing on attracting and cultivating high-performing agents, the Company will promote the building and development of high-performing team, strengthen the comprehensive literacy training for sales team, enhance product supply and match, and strengthen basic management and support so as to stabilize the quantity and improve the quality of sales team.

Third, optimize customer management. The Company will make great efforts in customer development, service, and management to enhance customer management capabilities. Efforts will be made to strengthen technological support, enhance information-based operation and intensive management, improve business support and customer service efficiency, enrich value-added services and optimize customer experience.

Fourth, strictly abide by compliance operation. The Company will continue to optimize the comprehensive risk management system, and implement the "1+N" risk management system and risk preference transmission requirements. The Company will strengthen the internal control and compliance management mechanism, and improve the internal control in core businesses and key links. The Company will implement the "negative list" mechanism and strengthen risk monitoring and early warning. Actions will be taken to firm up the responsibilities for case prevention and control, and strictly prevent and control risks.

(II) Possible risks and measures to be taken

1. *Possible risks*

The current social and economic development continues to be positive, market demands are gradually recovering and positive factors are mounting. However, the international environment is still complex and severe and the complexity of the internal and external environment still exists. The social and economic environment, demographic structure and customer needs have undergone great changes in recent years, the industry is still in deep adjustment and transformation, and risk prevention and control in key areas still need continuous attention.

2. *Measures to be taken*

The Company will, in accordance with the requirements and standards of regulatory authorities, optimize comprehensive risk management system, further consolidate the foundation of risk management, improve tools, mechanism and system for risk management, and strengthen risk monitoring in key areas to make sure the effective operation of the system.

SECTION 5

EMBEDDED VALUE

INDEPENDENT ACTUARY'S REPORT ON REVIEW OF EMBEDDED VALUE INFORMATION

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

We have reviewed embedded value results ("EV Results") of New China Life Insurance Company Ltd. ("NCI" or "the company") as of 30 June 2023. Our review about EV Results includes: embedded value and first half year's new business as of 30 June 2023, sensitivity analysis, and the analysis of change of the embedded value.

The methodology NCI used to calculate the embedded value and the first half year's new business complies to "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" ("Appraisal of Embedded Value") issued by the China Association of Actuaries ("CAA") in November 2016. As independent actuaries, it is our responsibility to review the EV Results according to the review process as confirmed in the Letter of Engagement and to evaluate whether the methodology and assumptions used for calculating EV Results are consistent with the requirement of Appraisal of Embedded Value and market information.

Scope of work

Our scope of work covered:

- A review of whether methodology and assumptions used for calculating the embedded value and the value of first half year's new business as of 30 June 2023 are consistent with the requirement of Appraisal of Embedded Value and market information.
- A review of the embedded value and the value of first half year's new business as of 30 June 2023;
- A review of the sensitivity tests of the value of in-force business and value of first half year's new business as of 30 June 2023; and
- A review of the analysis of change of the embedded value from 31 December 2022 to 30 June 2023.

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

The calculation of embedded value relies greatly on predictions and assumptions, which include many economic/ noneconomic assumptions and assumptions on financial position that company has no control of. Therefore, the actual experience and results may differ from prediction.

Opinion

Based on the scope of work and data reliance, we have concluded that:

- Based on our review, the embedded value methodology and assumptions used by NCI are consistent with the requirements of the “Appraisal of Embedded Value” and available market information.
- The embedded value results of all significant aspects are consistent with the methodology and assumptions shown in the Embedded Value section of 2023 interim report.

We confirm that the results shown in the Embedded Value section of 2023 interim report are consistent with those reviewed by us.

This report has been prepared pursuant to an engagement contract between PricewaterhouseCoopers Consulting (Shenzhen) Ltd., Beijing Branch and New China Life Insurance Company Ltd. This report is solely for the purpose set forth in the first and second paragraphs of this report and is for the use of Board of Directors of NCI only and is not to be used for any other purpose or to be distributed to any other parties. We expressly disclaim any liability or duty to any other party for the contents of this report and howsoever arising in connection with it.

Our work does not constitute an audit or other assurance engagement in accordance with applicable professional standards. Accordingly, we provide no audit opinion, attestation or other form of assurance with respect to our work or the information upon which our work was based.

Grace Jiang, FSA

Ben Cheng, FIA

PricewaterhouseCoopers Consultants (Shenzhen) Ltd., Beijing Branch

29 August 2023

SECTION 5

EMBEDDED VALUE

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 of 30 June 2023 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. PricewaterhouseCoopers Consultants(Shenzhen) Ltd. performed a review of our embedded value. The review statement from PricewaterhouseCoopers Consultants(Shenzhen) Ltd is contained in the "Independent Actuary's Report on Review of Embedded Value Information" 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 corresponding policy liabilities and other liabilities valued; 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 to certain liabilities.

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 National Administration of Financial Regulation (“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 of 30 June 2023, 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 China’s 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 11.0% p.a.

SECTION 5

EMBEDDED VALUE

(2) Investment Returns

The table below shows investment return assumptions for the main funds to calculate VIF and the Value of First Half Year's New Business.

	2023	2024	2025	2026+
Non-participating	5.00%	5.00%	5.00%	5.00%
Participating	5.00%	5.00%	5.00%	5.00%
Universal life	5.00%	5.00%	5.00%	5.00%
Unit-linked	6.00%	6.00%	6.00%	6.00%
New Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating	5.00%	5.00%	5.00%	5.00%
Specific Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating II	5.00%	5.00%	5.00%	5.00%

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 (2020)".

(5) Invalidation Rate and Surrender Rate

Assumptions have been developed based on the Company's experience of invalidation and lapse, expectations of current and future experience, and overall knowledge of China's 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 the requirements under Solvency II Phase I is applied throughout the course of projection and 100% of the minimum capital requirement prescribed by the National Administration of Financial Regulation ("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.

(11) Other Assumptions

The current methods for calculating surrender values are in line with the requirements of the National Administration of Financial Regulation ("CBIRC") and 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 of 30 June 2023 and their corresponding results as of prior valuation date.

Embedded Value

Unit: RMB in millions

Valuation Date	30 June 2023	31 December 2022
Adjusted Net Worth	175,699	165,666
Value of In-Force Business Before Cost of Required Capital Held	119,577	116,863
Cost of Required Capital Held	(28,796)	(26,947)
Value of In-Force Business After Cost of Required Capital Held	90,781	89,916
Embedded Value	266,479	255,582

Notes:

- Numbers may not be additive due to rounding.
- The impact of major reinsurance contracts has been reflected in the embedded value.

SECTION 5

EMBEDDED VALUE

Value of First Half Year's New Business

Unit: RMB in millions

Valuation Date	30 June 2023	30 June 2022
Value of First Half Year's New Business Before Cost of Required Capital Held	4,724	3,391
Cost of Required Capital Held	(2,250)	(1,279)
Value of First Half Year's New Business After Cost of Required Capital Held	2,474	2,112

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of first half year's new business as of 30 June 2023 and 30 June 2022 were RMB36,133 million and RMB32,142 million respectively.
- The impact of major reinsurance contracts has been reflected in the value of first half year's new business.

Value of First Half Year's New Business by Channel

Unit: RMB in millions

Valuation Date	30 June 2023	30 June 2022
Individual insurance channel	1,993	2,102
Bancassurance channel	699	231
Group insurance channel	(218)	(221)
Total	2,474	2,112

Notes:

- Numbers may not be additive due to rounding.
- The first year premiums used to calculate the value of first half year's new business as of 30 June 2023 and 30 June 2022 were RMB36,133 million and RMB32,142 million respectively.
- 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 2022 to 30 June 2023 is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2022 to 30 June 2023	
1. EV at the beginning of period	255,582
2. Impact of Value of New Business	2,474
3. Expected Return	9,878
4. Operating Experience Variances	349
5. Economic Experience Variances	1,055
6. Operating Assumption Changes	–
7. Economic Assumption Changes	–
8. Capital Injection/Shareholder Dividend Payment	(3,369)
9. Others	(150)
10. Value Change Other Than Life Insurance Business	661
11. EV at the end of period	266,479

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, etc.
6. Reflects the change in operating assumptions between valuation dates.
7. Reflects the change in economic assumptions between valuation dates.
8. Capital injection and other dividend payment to shareholders.
9. Other miscellaneous items.
10. Value change other than those arising from the life insurance business.

SECTION 5

EMBEDDED VALUE

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 of 30 June 2023	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	90,781	2,474
Risk Discount Rate at 11.5%	86,326	2,257
Risk Discount Rate at 10.5%	95,541	2,706
Investment Return 50bps higher	114,611	4,096
Investment Return 50bps lower	66,850	843
Expenses 10% higher (110% of Base)	88,964	1,677
Expenses 10% lower (90% of Base)	92,596	3,270
Discontinuance Rates 10% higher (110% of Base)	90,394	2,306
Discontinuance Rates 10% lower (90% of Base)	91,157	2,651
Mortality 10% higher (110% of Base)	89,938	2,418
Mortality 10% lower (90% of Base)	91,627	2,530
Morbidity and Loss Ratio 10% higher (110% of Base)	85,840	2,292
Morbidity and Loss Ratio 10% lower (90% of Base)	95,744	2,656
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	85,886	2,473

SECTION 6

CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE

During the reporting period, the Company held two shareholders' general meeting, six meetings of the Board and five meetings of the Board of Supervisors in total. Announcements on resolutions of relevant meetings and meeting documents have been published on the websites of the SSE, the HKSE, and the Company as well as other relevant information disclosure media according to regulatory requirements. The shareholders' general meeting, the Board, the Board of Supervisors and senior management all operated legally and independently in accordance with the *Articles of Association* and relevant rules and procedures of the Company, and effectively performed their respective duties.

Shareholders' General Meeting

Session	Date	Place	Proposals	Media where resolutions were published	Date of publication of resolutions
The First Extraordinary General Meeting of 2023	2023-1-19	Beijing	Considered and approved the <i>Proposal on the Election of Directors of the Eighth Session of the Board</i>	www.hkexnews.hk www.sse.com.cn	2023-1-19
The Annual General Meeting of 2022	2023-6-28	Beijing	Considered and approved the <i>Proposal on the Report of the Board for the Year 2022, Proposal on the Report of the Board of Supervisors for the Year 2022, Proposal on the Profit Distribution Plan for the Year 2022, etc.</i>	www.hkexnews.hk www.sse.com.cn	2023-6-28

Note: For the attendance and voting results of meetings mentioned above, please refer to announcements on resolutions of such meetings published by the Company in the relevant media.

Compliance with the Model Code

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.* (《新華人壽保險股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理辦法》) 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*. After specific enquiries with all directors, supervisors and senior management, the Company confirmed that all directors, supervisors and senior management have complied with the code of conduct specified in the *Model Code* and *Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Company Ltd.* during the reporting period.

SECTION 6

CORPORATE GOVERNANCE

II. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

According to the *Proposal on the Profit Distribution Plan for the Year 2022* approved by the Annual General Meeting of 2022, with the appropriation to its discretionary surplus reserve of RMB1,114 million (10% of the net profit recorded in the financial statements of the parent company for 2022), the Company distributed cash dividend of RMB1.08 (including tax) per share to all shareholders of the Company and completed the distribution of 2022 annual dividend on 10 August 2023.

The Company neither distributed interim dividend with profit earned for the reporting period nor increased share capital with capital reserve.

III. COMPOSITION AND CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

1. *Members of the Board of Directors*

As of the date of the disclosure of this report, the Board is comprised of 11 directors. The executive director of the Company is ZHANG Hong, the non-executive directors are YANG Yi, HE Xingda, YANG Xue, HU Aimin and LI Qiqiang, and the independent non-executive directors are GENG Jianxin, MA Yiu Tim, LAI Guanrong, XU Xu and GUO Yongqing.

2. *Changes of Directors*

- (1) On 22 August 2023, Mr. LI Quan resigned from his positions as the chairman, executive director, chief executive officer, chairman of the Strategy Committee, member of the Investment Committee and the Risk Management and Consumer Rights Protection Committee of the Board due to his age.
- (2) Mr. ZHANG Hong, the executive director of the Company, has ceased to be the chairman of New China Life Excellent Health Investment Management Co., Ltd. since June 2023.
- (3) Mr. LAI Guanrong, the independent non-executive director of the Company, has ceased to be the director of China Sciences Group (Holding) Co., LTD. since June 2023.
- (4) Mr. GUO Yongqing, the independent non-executive director of the Company, has served as the director of Bank of Jiaxing Co., Ltd. since March 2023.

(II) Supervisors

1. *Members of the Board of Supervisors*

As of the date of the disclosure of this report, the Board of Supervisors consisted of 4 supervisors, including shareholder representative supervisors LIU Debin, YU Jiannan, employee representative supervisors LIU Chongsong and WANG Zhongzhu.

2. *Changes of Supervisors*

None.

(III) Members of Senior Management

1. *Members of Senior Management*

As of the date of the disclosure of this report, senior management of the Company consisted of 5 members, including ZHANG Hong, YANG Zheng, GONG Xingfeng, QIN Hongbo and WANG Lianwen.

2. *Changes of Members of Senior Management*

- (1) On 22 August 2023, Mr. LI Quan ceased to be chief executive officer of the Company due to his age.
- (2) On 29 January 2023, the 1st meeting of the eighth session of the Board considered and approved the *Proposal on Work Adjustment of Certain Members of Senior Management*, and agreed that Mr. YU Zhigang ceased to be the vice president and member of Executive Committee of the Company, Mr. YUE Ran and Mr. YUAN Chaojun ceased to be the assistant to the president and member of Executive Committee of the Company.

IV. 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

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 2023, 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*.

SECTION 6

CORPORATE GOVERNANCE

V. REMUNERATION POLICIES AND TRAINING PLAN FOR EMPLOYEES

As at 30 June 2023, there are a total of 31,304 employees who entered into employment contracts with the Company (including life insurance headquarters, 35 branches and major subsidiaries⁽¹⁾).

In accordance with characteristics of business and competition in the market, the Company provides employees with competitive remuneration with reference to the level of its counterparts in the industry. As required by the P.R.C. government, the Company provides employees with various social security and housing provident fund. At the same time, the Company provided a variety of benefit treatments for its employees, including corporate annuities to meet the diverse needs of different employee groups.

In 2023, employee training adheres to the leadership of the Communist Party of China and strives to serve the Company's strategy, support business development and employee growth. Through the NCI lectures, general ability training, online development training, the Company helps employees improve the basic knowledge necessary to perform their job duties, enhances their understanding of the conditions of China, the society and the people as well as their scientific and humanistic literacy. In the second half of 2023, the Company will continue to improve the political awareness, professional knowledge and competence of employees. It will further carry out training to improve political awareness, strengthen the training to serve national strategies and carry out pragmatic and effective special training.

Note:

- 1 Major subsidiaries refer to subsidiaries whose 50% or more of the shares are being held by the Company.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

I. ENVIRONMENT INFORMATION

The Company has always adhered to a low-carbon and environmental-friendly operation model, actively responded to climate change and promoted the construction of ecological civilization. When managing office decoration, the Company follows the principle of reasonable configuration, environmental protection and energy saving, and achieves the design goals of energy saving, high efficiency and low consumption through optimizing design plan, controlling engineering technologies and materials. In daily office work, the Company actively advocates green office, green procurement and green travel, and has issued the *Twenty Articles to Practice Economy* (《總公司厲行節約「二十條」倡議書》). The Company takes various measures to save energy and reduce emissions. In business development, the Company applies mobile platform and mobile terminals for customer and order management, thereby reducing paper consumption in traditional service.

During the reporting period, the Company has not been subject to administrative penalty for environmental issues.

II. SOCIAL RESPONSIBILITY

(I) Serve National Strategy

Serve the real economy. The Company facilitated the self-reliance in science and technology, supported the development of strategically emerging industries such as new information technology, artificial intelligence, biotechnology, new energy, new materials, as well as specialized, refinement, differential and innovation enterprises with an investment balance of RMB22,647 million. The Company assisted micro, small and medium-sized enterprises in solving the problem of difficult and expensive financing with an investment balance of RMB3,655 million. The Company invested RMB155,557 million to promote coordinated regional development and put RMB18,684 million to support energy conservation and carbon reduction of traditional industries, to support green and low-carbon industries, improve ESG investment and to help achieve “carbon peaking and carbon neutrality” and accelerate the green transformation of development methods.

Respond to aging population. The Company actively participated in the construction of commercial pension insurance as the “third pillar” and focused on promoting “Excellent and Exclusive Commercial Pension Insurance” product with premium income of approximately RMB400 million. The Company actively expanded insurance purchase channels to broaden coverage. Now customers can insure with individual pension funds in 7 banks and enjoy convenient experience.

Serve healthy China construction. The Company actively promoted policy-oriented medical insurance projects, undertook 11 such projects and achieved premium income of RMB610 million, covering 17.4962 million insured people. There were 35 valid insurance projects with premium income of RMB140 million and benefiting over 1.5 million people. The equity and debt investments amount reached RMB3,498 million.

SECTION 7

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

(II) Help Rural Revitalization

In the first half of 2023, the Company allocated RMB9.4 million to Shibing County, Guizhou Province, RMB1.0 million to Chayouzhong Banner, Ulanqab, Inner Mongolia, and supported 20 assistance projects. The Company purchased agricultural goods and products worth over RMB3.75 million to support those areas and consolidate the achievements of poverty alleviation through consumption assistance. Village-based teams and cadres have been dispatched to a number of areas, including Shibing County in Guizhou province, to support and improve local diagnosis and treatment environment. The Company also provided local people with insurance for preventing poverty due to disasters, accidents and diseases, and comprehensively promoted rural construction and development. The Company also continued to advance assistance projects in Shibing County, Guizhou Province in 2022 through the Foundation, including “Genius Moms Dream Workshop” (天才媽媽夢想工坊), “Medical Physiotherapy Room” (善醫行理療室), “Women’s Cancer Relief Program” (女性兩癌救助金計劃), “Mother’s Entrepreneurship Fund” (母親創業循環金) and other projects.

(III) Fulfill Other Social Responsibilities

1. In the first half of 2023, the Foundation continued to carry out the “Public Welfare Activity for Sanitation Workers” nationwide. As at 30 June 2023, more than 920,000 sanitation workers in nearly 170 cities across China benefited from the project who were provided accident insurance of RMB100,000 per person. The project has donated personal accident insurance with the total sum assured of RMB427,900 million and settled 358 claims with the total payment of RMB32.01 million since its launch in August 2017.
2. In the first half of 2023, the total number of volunteers of the Company reached 44,094. The volunteer union organized 1,649 activities such as “Caring for Sanitation”, “Emergency Care”, “Rural Revitalization”, “Contributing to Carbon Peaking and Carbon Neutrality”, “Respecting the Aged and Cherishing the Young”, with total service time of 45,956.55 hours.

I. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

The Annual General Meeting of 2022 of the Company held on 28 June 2023 considered and approved the *Proposal on the Reappointment of Accounting Firms for the Year 2023*, and resolved to reappoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as domestic auditor for the year of 2023, and reappoint Deloitte Touche Tohmatsu as international auditor for the year 2023. For details, please refer to *Overseas Regulatory Announcement – Announcement in relation to Proposed Reappointment of Accounting Firms* (《建議續聘2023年度會計師事務所の公告》) on 26 May 2023, and the *Poll Results of the Annual General Meeting of 2022 and Distribution of 2022 Annual Dividend* on 28 June 2023 published by the Company, respectively.

II. CHARGE OF ASSETS

During the reporting period, the Company had no charge of assets.

III. MAJOR INVESTMENT

During the reporting period, the Company had no major investment.

IV. DISPOSAL AND ACQUISITION OF MAJOR ASSETS

To optimize the Company's asset structure and focus on principal business, after consideration and approval by the Board on 26 September 2022, the Company proposed to enter into the Equity Transfer Agreement with China Oil & Gas Pipeline Network Corporation (the "**PipeChina**"), pursuant to which the Company proposed to dispose and PipeChina proposed to acquire all approximately 3.46% equity interests in National Pipe Network Group United Pipeline Co., Ltd. held by the Company (the "**Equity Transfer**"). On 20 April 2023, the Company entered into the Equity Transfer Agreement with PipeChina. The consideration for the Equity Transfer reached approximately RMB9,071 million.

As the highest applicable percentage ratio (as defined in Chapter 14 of the *Hong Kong Listing Rules*) in respect of the Equity Transfer exceeds 5% but is less than 25%, the Equity Transfer constitutes a discloseable transaction under Chapter 14 of the *Hong Kong Listing Rules*, and is subject to the announcement and reporting requirements but exempted from shareholders' approval requirement.

Please refer to announcements on the website of Hong Kong Stock Exchange published by the Company for more details on 26 September 2022 and 21 April 2023, respectively.

V. EXCHANGE RATE RISK AND HEDGING

Please refer to Note 4 to the interim condensed consolidated financial statements of this report for the details of exchange rate risk of the Company during the reporting period.

VI. CONTINGENT LIABILITIES

So far as known to the Board of Directors, as at 30 June 2023, there had been no litigation, arbitration or claim of material importance in which the Company or its subsidiaries was engaged or pending or which as threatened against the Company or its subsidiaries.

SECTION 8

SIGNIFICANT EVENTS

VII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company and its subsidiaries did not have any other future plans for material investments or capital assets as at 30 June 2023. However, the Company will closely follow industry opportunities to broaden its revenue base and profit potential and maximise shareholder' value in the long term.

VIII. MAJOR CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

According to *Hong Kong Listing Rules*, the transaction between the Company and the Company's connected person (as stipulated in *Hong Kong Listing Rules*) constitutes the connected transaction of the Company. The Company monitors and manages such transactions in strict accordance with *Hong Kong Listing Rules* and abides by relevant rules and regulations of *Hong Kong Listing Rules*. Details of related party transactions are set out in Note 22 to the interim condensed consolidated financial statements of this report. Such transactions do not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of *Hong Kong Listing Rules*.

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 brought the Company more than 10% (inclusive) of the Company's total profit. Nor there were loans or financial assistance to be disclosed.
- (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 insurance funds of the Company is carried out mainly through entrusted management, and the diversified investment management system in which the entrusted internal investment managers are main players and subscribed single asset management plan of external investment managers are the supplemental has taken shape. The internal investment managers include Asset Management Company and Asset Management Company (Hong Kong) and external investment managers comprise fund companies, asset management division of securities firms and other professional investment management institutions. The Company enters into the investment management agreement with each manager, manages the investment activities through measures including investment guidance, asset custody, dynamic tracking and communication, assessment and evaluation, and takes targeted risk control measures according to the characteristics of different managers and investment targets.
- (IV) Unless otherwise disclosed in this report, 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 enforceable obligation of the court or large amount of 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 the *Overseas Regulatory Announcement-Announcement on the Performance of Unfulfilled Commitments of the Company's Shareholders, Related Parties and the Company* published on 13 February 2014 by the Company.

During the reporting period, the commitments relating to avoidance of horizontal competition were still being fulfilled continuously and normally.

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

During the reporting period, neither the Company nor its directors, supervisors, members of senior management or its controlling shareholders were subject to penalties and rectifications to be disclosed.

XIII. SIGNIFICANT LITIGATION AND ARBITRATION EVENTS

During the reporting period, the Company had no significant litigation or arbitration events.

XIV. REVIEW OF THE INTERIM REPORT

Audit and Related Party Transaction Control Committee of the Board has reviewed the accounting standards and practices adopted by the Company and discussed internal control and financial statements, including the review of unaudited interim financial report 2023 of the Company.

XV. THE COMPANY'S COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is responsible for compliance with the code provisions set out in Part II of Appendix 14 of the Hong Kong Listing Rules. During the reporting period, save as otherwise disclosed in this report, the Board was not aware of any information that would reasonably indicate that the Company has not complied with the applicable code provisions set out in Part II of Appendix 14 at any time. The Company adopted most of the best practices set out therein.

XVI. OTHER SIGNIFICANT EVENTS

In order to ensure the Company's sufficient solvency and expand financing channels, the Annual General Meeting of 2021 held on 28 June 2022 agreed the Company to issue domestic capital supplementary bonds with the amount of no more than RMB20,000 million in compliance with regulatory requirements. On 14 July 2023, the Company received the *Approval by The National Administration of Financial Regulation of the Issuance of Capital Supplementary Bonds by New China Life Insurance Company Ltd.* (Jin Fu [2023] No. 112) (《國家金融監督管理總局關於新華人壽保險股份有限公司發行資本補充債券的批覆》(金覆[2023]112號)), which approved the Company to publicly issue 10-year redeemable capital supplementary bonds in the national inter-bank bond market, with the amount not exceeding RMB20,000 million. For details, please refer to the *Announcement on Approval of Issuance of the Capital Supplementary Bonds by The National Administration of Financial Regulation* issued by the Company on 19 July 2023.

SECTION 9

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 share capital of the Company.

Unit: share

	31 December 2022		Increase or decrease during the reporting period (+, -)					30 June 2023	
	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. BUY BACK, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not buy back, 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 84,390 shareholders of the Company, including 84,103 A share shareholders and 287 H share shareholders.

Shares held by top ten shareholders

Unit: share

Name of the shareholders	Total number of shares held at the end of reporting period	Percentage of the shareholding (%)	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions ⁽¹⁾	Shares pledged or frozen			Types of shares
					Status	Number of shares	Character of the shareholders	
Central Huijin Investment Ltd.	977,530,534	31.34	-	-	-	-	State-owned	A
HKSCC Nominees Limited ⁽²⁾	972,722,597	31.18	-30,974,100	-	Unknown	Unknown	Overseas legal person	H
China Baowu Steel Group Corporation Limited	377,162,581	12.09	-	-	-	-	State-owned legal person	A
China Securities Finance Corporation Limited	93,339,003	2.99	-	-	-	-	State-owned legal person	A
Hwabao Investment Co., Ltd. ⁽³⁾	60,503,300	1.94	+30,959,200	-	-	-	State-owned legal person	H
Hong Kong Securities Clearing Company Limited ⁽⁴⁾	53,076,839	1.70	+8,971,150	-	-	-	Overseas legal person	A
Central Huijin Asset Management Ltd.	28,249,200	0.91	-	-	-	-	State-owned legal person	A
Kehua Tianyuan (Tianjin) Business Operation Management Company Limited	13,300,000	0.43	-150,000	-	-	-	Domestic legal person	A
Dacheng Fund-ABC-Dacheng China Securities Financial Asset Management Plan	8,713,289	0.28	-	-	-	-	Others	A
China Asset Management-ABC-China Asset Management Plan of CSI Financial Assets	7,863,699	0.25	-	-	-	-	Others	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. and Hwabao Investment Co., Ltd. is a wholly-owned subsidiary of China Baowu Steel Group Corporation Limited. 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.							

SECTION 9

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Notes:

1. As of the end of the reporting period, none of the Company's A shares or H shares were subject to selling restrictions.
2. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of 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. As of 30 June 2023, Hwabao Investment Co., Ltd., the wholly-owned subsidiary of China Baowu, held 60,503,300 H shares of the Company, which are registered under the name of HKSCC Nominees Limited. To avoid repeat calculation, the number of shares held by HKSCC Nominees Limited subtracted the number of shares held by Hwabao Investment Co., Ltd.
4. Hong Kong Securities Clearing Company Limited (HKSCC) is a nominal holder of shares in 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 2023, 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 2023, the following persons (other than 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:

SECTION 9

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Unit: share

Name of substantial shareholders	Type of shares	Capacity	Number of shares	Approximate percentage of the total number of shares issued (%)	Approximate percentage of the total number of A shares issued (%)	Approximate percentage of the total number of H shares issued (%)	Long Position/ Short Position/ Interest in a lending pool
1 Central Huijin Investment Ltd.	A	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 Fosun International Limited	H	Interests of Controlled Corporation	149,445,100 ⁽³⁾	4.79	-	14.45	Long Position
		Beneficial Owner	4,942,400	0.16	-	0.48	Long Position
3 Fosun International Holdings Ltd.	H	Interests of Controlled Corporation	154,387,500 ⁽³⁾	4.95	-	14.93	Long Position
4 GUO Guangchang	H	Interests of Controlled Corporation	154,387,500 ⁽³⁾	4.95	-	14.93	Long Position
5 Shanghai Fosun High Technology (Group) Co., Ltd.	H	Interests of Controlled Corporation	12,487,200 ⁽⁴⁾	0.40	-	1.21	Long Position
		Beneficial Owner	62,391,900	2.00	-	6.03	Long Position
6 Taikang Insurance Group, Inc.	H	Holding Security Interests in Shares	62,391,900 ⁽⁴⁾	2.00	-	6.03	Long Position
7 Fidelidade – Companhia de Seguros, S.A.	H	Beneficial Owner	62,391,800 ⁽³⁾	2.00	-	6.03	Long Position
8 China Baowu Steel Group Corporation Limited	H	Interests of Controlled Corporation	60,503,300 ⁽⁵⁾	1.94	-	5.85	Long Position
9 Hwabao Investment Co., Ltd.	H	Beneficial Owner	60,503,300 ⁽⁵⁾	1.94	-	5.85	Long Position

Notes:

- Data disclosed in the table above are mainly based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- 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.
- Mr. GUO Guangchang holds equity interests in the shares of the Company through Fosun International Limited, Fosun International Holdings Ltd., Fosun Holdings Limited, Shanghai Fosun High Technology (Group) Co., Ltd., Fidelidade – Companhia de Seguros, S.A. and other companies controlled or indirectly controlled by them.
- Taikang Insurance Group, Inc. holds security interests in 62,391,900 shares of the Company by way of share pledge.
- According to the above disclosure, as of 30 June 2023, China Baowu held 377,162,581 A shares of the Company and 60,503,300 H shares of the Company through Hwabao Investment Co., Ltd., representing 18.09% of the total number of issued A shares of the Company and 5.85% of the total number of issued H shares of the Company respectively, accounting for 14.03% of the total number of issued shares of the Company.

SECTION 9

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Saved as disclosed above, as of 30 June 2023, the Company was not aware of anyone (other than the directors, supervisors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which have been entered into the register maintained by the Company pursuant to Section 336 of the SFO.

V. THE INTEREST AND SHORT POSITION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES UNDER HONG KONG LAWS AND REGULATIONS

As of 30 June 2023, according to the information available to the Company and the information our directors are aware of, there were no interests and short positions (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) held by our directors, supervisors and chief executives in the shares, underlying shares or 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.

FINANCIAL STATEMENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors 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 of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 164, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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") issued by the International Accounting Standards Board. 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, and to report our conclusion 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" issued by the International Auditing and Assurance Standards Board. A review of these interim condensed consolidated financial statements 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2023

SECTION 10

Financial Statements

Condensed Consolidated Statement of Financial Position

As at 30 June 2023 (All amounts in RMB million unless otherwise stated)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
ASSETS			
Property, plant and equipment		17,770	17,750
Investment properties		9,465	9,553
Right-of-use assets		965	986
Intangible assets		3,861	4,002
Investments in associates and joint ventures	6	5,757	5,820
Financial investments			
– Financial assets at fair value through profit or loss	7(1)	363,802	79,465
– Debt investments at amortised cost	7(2)	293,168	N/A
– Debt investments at fair value through other comprehensive income	7(3)	318,592	N/A
– Equity investments designated at fair value through other comprehensive income	7(4)	5,786	N/A
– Held-to-maturity	7(5)	N/A	378,391
– Available-for-sale	7(6)	N/A	375,654
– Loans and receivables	7(7)	N/A	47,456
Term deposits	8	244,559	227,547
Statutory deposits		1,920	1,715
Financial assets purchased under agreements to resell		6,572	8,847
Derivative financial instruments		4	3
Accrued investment income		413	15,137
Reinsurance contract assets	9	9,968	10,590
Deferred tax assets	19	4,711	7,890
Other assets		3,280	6,544
Cash and cash equivalents		18,586	17,586
Total assets		1,309,179	1,214,936

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2023 (All amounts in RMB million unless otherwise stated)

	Notes	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	9	1,103,982	1,013,191
Borrowings	10	10,044	10,000
Lease liabilities		815	855
Financial liabilities at fair value through profit or loss		4,066	25,877
Financial assets sold under agreements to repurchase		46,290	43,617
Other liabilities		31,581	23,322
Current income tax liabilities		35	21
Deferred tax liabilities	19	57	57
Total liabilities		1,196,870	1,116,940
Shareholders' equity			
Share capital		3,120	3,120
Reserves	11	14,179	17,945
Retained earnings		94,987	76,910
Equity attributable to owners of the Company		112,286	97,975
Non-controlling interests		23	21
Total equity		112,309	97,996
Total liabilities and equity		1,309,179	1,214,936

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

	Notes	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
REVENUES			
Insurance revenue	12	26,593	28,440
Interest income	13	15,628	15,711
Other investment income	14	5,991	6,179
Other income		739	907
Total revenues		48,951	51,237
BENEFITS, CLAIMS AND EXPENSES			
Insurance service expenses	15	(17,590)	(17,423)
Net expenses from reinsurance contracts held		(377)	41
Finance expenses from insurance contracts issued	16	(17,717)	(21,124)
Less: Finance income from reinsurance contracts held	16	133	111
Net impairment losses on financial assets	17	49	(569)
Other expenses	18	(1,963)	(1,966)
Total benefits, claims and expenses		(37,465)	(40,930)
Share of profits and losses of associates and joint ventures		9	165
Other finance costs		(779)	(591)
Profit before income tax		10,716	9,881
Income tax expense	19	(736)	(689)
Net profit for the period		9,980	9,192
Net profit for the period attributable to:			
– Owners of the Company		9,978	9,190
– Non-controlling interests		2	2

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

	Notes	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) (Restated)
Net profit for the period		9,980	9,192
Items that will not be reclassified subsequently to profit or loss:		425	–
Changes in fair value on equity investments designated at fair value through other comprehensive income		431	N/A
Insurance finance income/expenses from insurance contracts with direct participation features for which the Group holds the underlying items		(6)	–
Items that may be reclassified subsequently to profit or loss:		(9,067)	(4,800)
Changes in fair value on debt investments at fair value through other comprehensive income		4,071	N/A
Allowance for impairment losses on debt investments at fair value through other comprehensive income		(3)	N/A
Changes in fair value on available-for-sale financial assets		N/A	(9,357)
Allowance for impairment losses on available-for-sale financial assets		N/A	426
Finance expenses from insurance contracts issued		(13,246)	4,183
Finance income from reinsurance contracts held		129	51
Share of other comprehensive income of associates and joint ventures under the equity method		(30)	(120)
Currency translation differences		12	17
Total other comprehensive income for the period, net of tax		(8,642)	(4,800)
Total comprehensive income for the period		1,338	4,392
Total comprehensive income for the period attributable to:			
– Owners of the Company		1,336	4,390
– Non-controlling interests		2	2
Earnings per share (RMB)			
Basic	20	3.20	2.95
Diluted	20	3.20	2.95

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2023					
	Attributable to owners of the Company				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 31 December 2022 (Audited)	3,120	45,771	53,993	102,884	21	102,905
Impact of adoption of IFRS 17	–	(27,826)	22,917	(4,909)	–	(4,909)
As at 31 December 2022 (Restated, unaudited)	3,120	17,945	76,910	97,975	21	97,996
Impact of adoption of IFRS 9 (Note 2.1(1))	–	3,769	12,582	16,351	–	16,351
As at 1 January 2023 (Unaudited)	3,120	21,714	89,492	114,326	21	114,347
Net profit for the period	–	–	9,978	9,978	2	9,980
Other comprehensive income	–	(8,642)	–	(8,642)	–	(8,642)
Total comprehensive income	–	(8,642)	9,978	1,336	2	1,338
Dividends paid	–	–	(3,369)	(3,369)	–	(3,369)
Appropriation to reserves	–	1,114	(1,114)	–	–	–
Total transactions with owners	–	1,114	(4,483)	(3,369)	–	(3,369)
Others	–	(7)	–	(7)	–	(7)
As at 30 June 2023 (Unaudited)	3,120	14,179	94,987	112,286	23	112,309

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2022					
	Attributable to owners of the Company				Non-controlling Interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
As at 31 December 2021 (Audited)	3,120	53,046	52,331	108,497	17	108,514
Impact of adoption of IFRS 17	–	(28,313)	13,574	(14,739)	–	(14,739)
As at 1 January 2022 (Restated, unaudited)	3,120	24,733	65,905	93,758	17	93,775
Net profit for the period	–	–	9,190	9,190	2	9,192
Other comprehensive income	–	(4,800)	–	(4,800)	–	(4,800)
Total comprehensive income	–	(4,800)	9,190	4,390	2	4,392
Dividends paid	–	–	(4,492)	(4,492)	–	(4,492)
Appropriation to reserves	–	1,440	(1,440)	–	–	–
Total transactions with owners	–	1,440	(5,932)	(4,492)	–	(4,492)
Others	–	104	–	104	–	104
As at 30 June 2022 (Restated, unaudited)	3,120	21,477	69,163	93,760	19	93,779

The notes attached form an integral part of the interim condensed consolidated financial statements.

SECTION 10

Financial Statements

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Operating activities		
Net cash flows from operating activities	65,508	56,796
Investing activities		
Cash paid for investing activities, net	(106,005)	(73,941)
Acquisition of structured entities, net of cash acquired	–	36
Proceeds from disposal of structured entities, net	7,317	7,740
Proceeds from disposal of property, plant and equipment, intangible assets and other assets	3	2
Purchases of property, plant and equipment, intangible assets and other assets	(898)	(1,103)
Interests received	17,978	14,380
Dividends received	3,592	4,275
Financial assets purchased under agreements to resell, net	1,317	163
Net cash flows used in investing activities	(76,696)	(48,448)
Financing activities		
Capital injected into structured entities by non-controlling interests	14,802	17,501
Proceeds from issuance of asset funding plans	6,440	2,770
Interests and dividends paid	(571)	(616)
Financial assets sold under agreements to repurchase, net	3,719	(18,879)
Payment of lease liabilities	(271)	(274)
Payment of redemption for structured entities to non-controlling interests	(9,209)	(6,718)
Payment of redemption for asset funding plans	(2,770)	–
Net cash flows from (used in) financing activities	12,140	(6,216)
Effects of exchange rate changes on cash and cash equivalents	48	222
Net increase in cash and cash equivalents	1,000	2,354
Cash and cash equivalents		
At beginning of period	17,586	15,459
At end of period	18,586	17,813
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	18,586	17,813
Cash and cash equivalents at end of period	18,586	17,813

The notes attached 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 2023 (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 authorisation of the State Council of the PRC and the approval by the People’s Bank of China. The Company’s initial registered capital on the date of incorporation was Renminbi (“RMB”) 500 million. The registered capital was increased to RMB1,200 million in December 2000 and further increased to RMB2,600 million in March 2011, with the approval of the former China Insurance Regulatory Commission (the “former CIRC”). In December 2011, the Company completed its initial public offering of 158,540,000 A shares on the Shanghai Stock Exchange and issued 358,420,000 H shares on the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share over-allotment in overseas markets and issued 2,586,600 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. The address of the Company’s registered office is No.16 East Hunan Road (Zhongguancun Yanqing Park), Yanqing District, Beijing, the PRC. The Company is headquartered in Beijing.

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 claims 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 2023, 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 statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for financial instruments measured at fair value and insurance contract liabilities measured based on actuarial methods.

The accounting policies applied are consistent with those of the consolidated annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of new standards/amendments effective as at 1 January 2023.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023

Standards/Amendments	Content
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
IFRS 9 (including the October 2017 Amendments to IFRS 9)	Financial Instruments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Except for IFRS 17 and IFRS 9, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

(1) **Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments**

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2023 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2023. The difference between carrying amounts as at 31 December 2022 and the carrying amounts as at 1 January 2023 are recognised in the opening retained profits and other comprehensive income, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(a) *Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI"), if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(a) *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Classification and measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt investments at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(a) *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Classification and measurement of financial assets (Continued)

Debt investments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt investments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt investments are recognised in OCI and accumulated under the heading of reserves. Impairment losses are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt investments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt investments had been measured at amortised cost. When these debt investments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity investments designated at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments which are not held for trading as at FVTOCI.

Equity investments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these equity investments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other investment income" line item in profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(a) *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Classification and measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other investment income" line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including financial assets at amortised cost, debt instruments assets at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for lease receivables and receivables that result from transactions within the scope of "IFRS 15 Revenue from contracts with customers" without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(a) *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Impairment under ECL model (Continued)

For all other financial assets, which are subjected to impairment under IFRS 9, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in credit risk since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly are detailed in Note 4(2)(b).

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)

(a) Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)

(a) Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default (“LGD”) and the exposure at default.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability’s credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including borrowings, lease liabilities, financial assets sold under agreements to repurchase and other liabilities are subsequently measured at amortised cost, using the effective interest method.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)

(b) Summary of effects arising from initial application of IFRS 9

Impacts from classification and measurement

The directors of the Group reviewed and assessed the Group's financial assets as at 1 January 2023 based on the facts and circumstances that existed at that date. Changes in classification and measurement (including impairment) on the Group's financial assets and the impacts thereof are detailed below:

Item	Closing balance at 31 December 2022 – IAS 39 (Unaudited) (Restated)	Effects arising from initial application of IFRS 9								Opening balance at 1 January 2023 (Unaudited)
		Reclassification				Remeasurement				
		From Loans and receivables	From Available-for-sale financial assets	From Held-to-maturity investments	From liabilities at fair value through profit or loss	Reclassification of Interest receivables/ interest payables	Impairment under ECL model	From amortised cost/less impairment to fair value	From fair value to amortised cost	
Assets:										
Cash and cash equivalents	17,586	-	-	-	-	1	-	-	-	17,587
Financial assets purchased under agreements to resell	8,847	-	-	-	-	(2)	-	-	-	8,845
Term deposits	227,547	-	-	-	-	7,778	(78)	-	-	235,247
Statutory deposits	1,715	-	-	-	-	198	(1)	-	-	1,912
Accrued investment income	15,137	-	-	-	-	(13,551)	-	-	-	1,586
Financial assets at FVTPL	79,465	3,300	243,851	52	(20)	576	-	6,322	-	333,546
Debt investments at amortised cost	N/A	31,788	23,229	195,452	-	1,761	(91)	-	(116)	252,023
Debt investments at FVTOCI	N/A	12,368	103,365	182,887	20	3,239	-	15,752	-	317,631
Equity investments										
designated at FVTOCI	N/A	-	5,209	-	-	-	-	2	-	5,211
Available-for-sale financial assets	375,654	-	(375,654)	-	-	-	-	-	-	N/A
Held-to-maturity investments	378,391	-	-	(378,391)	-	-	-	-	-	N/A
Loans and receivables	47,456	(47,456)	-	-	-	-	-	-	-	N/A
Deferred tax assets	7,890	-	-	-	-	-	43	(5,517)	29	2,445
Liabilities:										
Financial liabilities at fair value through profit or loss	25,877	-	-	-	-	3	-	(6)	-	25,874
Financial assets sold under agreements to repurchase	43,617	-	-	-	-	(7)	-	-	-	43,610
Borrowings	10,000	-	-	-	-	211	-	-	-	10,211
Other liabilities	23,322	-	-	-	-	(207)	-	-	-	23,115
Shareholders' equity	97,996	-	-	-	-	-	(127)	16,565	(87)	114,347

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)

(b) Summary of effects arising from initial application of IFRS 9 (Continued)

Impacts from ECL

As at 1 January 2023, the directors of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

All loss allowances for financial assets as at 31 December 2022 reconciled to the opening loss allowances as at 1 January 2023 is as follows:

	Term deposits	Statutory deposits	Available-for-sale financial assets	Debt investments at amortised cost	Debt investments at FVTOCI
At 31 December 2022 –					
IAS 39 (Audited)	–	–	7,570	N/A	N/A
Reclassification	–	–	(7,570)	76	1,524
Amounts remeasured through opening retained earnings	78	1	N/A	91	–
Amounts remeasured through other comprehensive income	–	–	N/A	–	50
At 1 January 2023 (Unaudited)	78	1	N/A	167	1,574

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)

- (c) Impacts on opening condensed consolidated statement of financial position arising from the application of IFRS 9

As a result of the changes in the Group's accounting policies as described above, the opening condensed consolidated statement of financial position had to be adjusted. The following table show the adjustments recognised for each individual line item.

	31 December 2022 (Unaudited) (Restated)	Application of IFRS 9	1 January 2023 (Unaudited)
ASSETS			
Property, plant and equipment	17,750	–	17,750
Investment properties	9,553	–	9,553
Right-of-use assets	986	–	986
Intangible assets	4,002	–	4,002
Investments in associates and joint ventures	5,820	–	5,820
Financial investments			
– Financial assets at fair value through profit or loss	79,465	254,081	333,546
– Debt investments at amortised cost	N/A	252,023	252,023
– Debt investments at fair value through other comprehensive income	N/A	317,631	317,631
– Equity investments designated at fair value through other comprehensive income	N/A	5,211	5,211
– Held-to-maturity	378,391	(378,391)	N/A
– Available-for-sale	375,654	(375,654)	N/A
– Loans and receivables	47,456	(47,456)	N/A
Term deposits	227,547	7,700	235,247
Statutory deposits	1,715	197	1,912
Financial assets purchased under agreements to resell	8,847	(2)	8,845
Derivative financial instruments	3	–	3
Accrued investment income	15,137	(13,551)	1,586
Reinsurance contract assets	10,590	–	10,590
Deferred tax assets	7,890	(5,445)	2,445
Other assets	6,544	–	6,544
Cash and cash equivalents	17,586	1	17,587
Total assets	1,214,936	16,345	1,231,281

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(1) *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (Continued)*

(c) *Impacts on opening condensed consolidated statement of financial position arising from the application of IFRS 9 (Continued)*

	31 December 2022 (Unaudited) (Restated)	Application of IFRS 9	1 January 2023 (Unaudited)
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	1,013,191	–	1,013,191
Borrowings	10,000	211	10,211
Lease liabilities	855	–	855
Financial liabilities at fair value through profit or loss	25,877	(3)	25,874
Financial assets sold under agreements to repurchase	43,617	(7)	43,610
Other liabilities	23,322	(207)	23,115
Current income tax liabilities	21	–	21
Deferred tax liabilities	57	–	57
Total liabilities	1,116,940	(6)	1,116,934
Total equity	97,996	16,351	114,347
Total liabilities and equity	1,214,936	16,345	1,231,281

Note: In the above table, the carrying amounts as at 31 December 2022 were prepared under IAS 39 and IFRS 17, and the carrying amounts as at 1 January 2023 were prepared under IFRS 9 and IFRS 17.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments*

(a) *Summary of key changes in accounting policies resulting from application of IFRS 17*

In May 2017, IASB issued IFRS 17 Insurance Contract. IFRS 17 establishes a comprehensive new applicable accounting standards for the recognition, measurement, presentation and disclosure of insurance contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach (the "VFA"). The general model is simplified if certain criteria are met by measuring the liability for remaining coverage (the "LRC") using the premium allocation approach (the "PAA"). The Group applies the VFA to insurance contracts with direct participation features; applies the PAA to insurance contracts with coverage period which is one year or less; applies the general model to all other insurance contracts; and applies the general model or the PAA to reinsurance contracts held.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. Changes in cash flows related to future services should be recognized against the contractual service margin (the "CSM") at each reporting date. The CSM is released to profit or loss to reflect the service provided by the allocation over the current and remaining coverage period. The discount rate will be consistent with observable current market price for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, excluding the effects of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Group has adopted the "bottom-up" approach, and the discount rate assumption is determined based on the risk-free interest rate curve with consideration of the impact of the liquidity and tax premium.

The VFA modifies the treatment of the general model to accommodate direct participating contracts. The entity's obligation to the policyholder is equal to the amount of the fair value of the underlying items, less a variable fee for future service. The variable fee comprises the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. Changes in the amount of the Group's share of the fair value of the underlying items relate to future service and adjust the CSM. The Group has chosen to apply discount rates appropriate for the estimated cash flows as a whole.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(a) *Summary of key changes in accounting policies resulting from application of IFRS 17 (Continued)*

For contracts applying the general model and contracts applying the VFA, the Group has chosen to disaggregate the impact of changes in financial variables including the discount rate between profit or loss and other comprehensive income. For contracts applying the general model, the Group recognizes changes in insurance contract liabilities due to changes in the discount rate in other comprehensive income. For the VFA model, the Group includes in profit or loss expenses or income that exactly match the income or expenses included in profit or loss for the underlying items, with the remaining amount recognized in other comprehensive income.

The insurance revenue will be recognized over the coverage period based on the provision of services. The investment component in insurance contracts will be excluded from the insurance revenue and insurance service expenses.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9 that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. The Group will begin to adopt IFRS 9 from 1 January 2023.

In December 2021, the IASB issued Amendment to IFRS 17 Initial Application of IFRS 17 and IFRS 9 – Comparative Information to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

On transition to IFRS 17, retrospective application shall be applied. If retrospective application is impracticable, the Group shall apply either the modified retrospective approach or the fair value approach to estimate the CSM, the fair value approach shall be applied if the modified retrospective approach is impracticable. The CSMs of most of the Group's contracts are measured under the modified retrospective approach, while those of the remaining contracts are measured under the fair value approach.

The Group has restated comparative information applying the transitional provisions in Appendix C to IFRS 17.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17*

(i) Definitions and classifications

Products sold by the Group are classified as insurance contracts when the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Group determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

The Group issues certain insurance contracts that allow policyholders to participate in investment returns with the Group, in addition to compensation for losses from insured risk. Participating contracts meet the definition of insurance contracts with direct participation features if the following three criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items;
- A substantial proportion of the cash flows that the Group expects to pay to the policyholder is expected to vary with the change in the fair value of the underlying items.

The Group assesses whether the above conditions and criteria are met using its expectations at the issue date of the contracts.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(i) *Definitions and classifications (Continued)*

The Group also issues investment contracts with discretionary participation features. Investment contracts with discretionary participation features provide the investor with the right to receive additional discretionary amounts contractually based on specified underlying items which are expected to be a significant portion of the total contractual benefits. These contracts are linked to the same pool of assets as insurance contracts and have economic characteristics similar to those of insurance contracts. The Group accounts for these contracts applying IFRS 17 with the VFA or general model.

(ii) *Key types of insurance contracts issued and reinsurance contracts held*

The Group issues the following types of contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

Participating Insurance

Participating insurance represents the issued insurance contracts for which the Group is obligated to pay a certain proportion of surplus generated from the operating results of the Group to policyholders.

The majority of participating insurance contracts issued by the Group meet the definition of insurance contracts with direct participation features. The Group also issues certain participating insurance contracts classified as investment contracts with discretionary participation features.

The Group accounts for these insurance contracts by applying the VFA.

Traditional Insurance

Traditional insurance represents life insurance contracts issued by the Group for which insurance premiums and policy benefits are determined at inception. Traditional insurance contracts do not have participation features.

The Group accounts for these insurance contracts by applying the general model except for some insurance contracts where the permitted PAA simplification is applied.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(ii) *Key types of insurance contracts issued and reinsurance contracts held (Continued)*

Universal Insurance

Universal insurance represents insurance contracts with individual policy account and guaranteed minimum return, in addition to providing insurance coverage.

The majority of universal insurance contracts the Group issued are insurance contracts with indirect participation features. The Group also issues certain universal insurance contracts classified as investment contracts with discretionary participation features.

The Group accounts for these insurance contracts by applying the general model.

Unit-linked Insurance

Unit-linked insurance represents insurance contracts with both asset value in at least one investment account and insurance coverage.

The majority of unit-linked insurance contracts the Group issued are insurance contracts with direct participation features.

The Group accounts for these insurance contracts by applying the VFA.

Reinsurance contracts held

The Group also holds reinsurance contracts to mitigate risk exposure arising from insurance contracts issued by the Group.

The Group accounts for these reinsurance contracts by applying the general model except for certain reinsurance contracts where the permitted PAA simplification is applied.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(iii) Combining a set or series of contracts

Sometimes, the Group enters into two or more contracts at the same time with the same or related counterparties to achieve an overall commercial effect. The Group accounts for such a set of contracts as a single insurance contract when this reflects the substance of the contracts. When making this assessment, the Group considers whether:

- The rights and obligations are different when looked at together compared to when looked at individually;
- The Group is unable to measure one contract without considering the other.

(iv) Separating components from insurance and reinsurance contracts

In addition to the provision of the insurance coverage service, some insurance contracts issued by the Group have other components such as an investment component.

The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS 17.

The Group issues certain life insurance policies. These include an investment component under which the Group is required to repay to a policyholder in all circumstances, regardless of an insured event occurring. In assessing whether an investment component is distinct and therefore required to be accounted for separately applying IFRS 9, the Group considers if the investment and insurance components are highly interrelated or not.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(iv) Separating components from insurance and reinsurance contracts (Continued)

In determining whether investment and insurance components are highly interrelated the Group assesses whether the Group is unable to measure one component without considering the other and whether the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other.

The Group applies IFRS 17 to account for non-distinct investment components as part of its insurance contracts.

(v) Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

The Group divide portfolios of reinsurance contracts held applying the same principles above, except that the references to onerous contracts shall be replaced with a reference to contracts on which there is a net gain on initial recognition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(vi) Recognition

The Group recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received);
- The date when a group of contracts becomes onerous.

A group of reinsurance contracts held is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: Generally later of the beginning of the coverage period of the group of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised;
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held.

However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(vii) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued

① Measurement on initial recognition for contracts other than PAA

The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the CSM representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Group considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

When estimating future cash flows, the Group includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums;
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts;
- Payments to (or on behalf of) a policyholder that vary depending on returns on underlying items;

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(viii) Measurement of insurance contracts issued (Continued)

① Measurement on initial recognition for contracts other than PAA (Continued)

When estimating future cash flows, the Group includes all cash flows within the contract boundary including: (Continued)

- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- Claim handling costs;
- Costs of providing contractual benefits in kind;
- Policy administration and maintenance costs, such as costs of premium billing and handling policy changes. Such costs also include recurring commission that are expected to be paid to intermediaries if a particular policyholder continues to pay the premiums within the boundary of the insurance contract.
- Transaction-based taxes;
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities;
- Costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder;
- Costs incurred for providing investment-related service and investment-return service to policyholders;
- Other costs specifically chargeable to the policyholder under the terms of the contract.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

① Measurement on initial recognition for contracts other than PAA (Continued)

Discount rates

The discount rate will be consistent with observable current market price for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, excluding the effects of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Group has adopted the “bottom-up” approach, and the discount rate assumption is determined based on the risk-free interest rate curve with consideration of the impact of the liquidity and tax premium.

The Group estimates the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. In the following reporting period, as new contracts are included in the group, the discount rate applicable to the group on initial recognition is revised from the start of the reporting period in which the new contracts are added to the group. The Group re-estimates the discount rate applicable to the group at initial recognition using a weighted average discount rate over the period the contracts in the group are issued.

Risk adjustment for non-financial risk

The Group measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The Group has elected to disaggregate the change in the risk adjustment for non-financial risk between a change related to non-financial risk and the effect of the time value of money and changes in the time value of money.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(viii) Measurement of insurance contracts issued (Continued)

① Measurement on initial recognition for contracts other than PAA (Continued)

CSM

The CSM represents unearned profit that the Group will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group;
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group;
- Any other asset or liability previously recognised for cash flows related to the group;
- Any cash flows that have already arisen on the contracts as of that date.

If a group of contracts is onerous, the Group recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

The Group determines at initial recognition the group's coverage units. The Group then allocates the group's CSM based on the coverage units provided in the period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

① Measurement on initial recognition for contracts other than PAA (Continued)

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

② Subsequent measurement under the general model

In estimating the total future fulfilment cash flows, the Group distinguishes between those relating to already incurred claims and those relating to future service.

At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the LRC as at that date and a current estimate of the liability for incurred claims (the "LIC").

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

② Subsequent measurement under the general model (Continued)

The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Group's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Group's liability to pay amounts the Group is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

At the end of each reporting period, the Group updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

Experience adjustments are the difference between:

- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows);
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

② Subsequent measurement under the general model (Continued)

Changes in fulfilment cash flows (Continued)

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM.

Adjustments to the CSM

For insurance contracts without direct participation features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised;
- The change in the estimate of the present value of expected future cash flows in the LRC related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition;
- Changes in the risk adjustment for non-financial risk relating to future service;
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

② Subsequent measurement under the general model (Continued)

Adjustments to the CSM (Continued)

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the fulfilment cash flows relating to the LIC;
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For onerous contracts, any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participation features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition;

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(viii) Measurement of insurance contracts issued (Continued)

- ② Subsequent measurement under the general model (Continued)

Adjustments to the CSM (Continued)

- The changes in fulfilment cash flows related to future service, except:
 - Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous
 - Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts
- The effect of any currency exchange differences on the CSM;
- The amount recognised as insurance revenue by the allocation of the CSM in the period.

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Group follows three steps:

- Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract;
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future;
- Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) *Measurement of insurance contracts issued (Continued)*

② Subsequent measurement under the general model (Continued)

Contracts with cash flows related to underlying items that do not meet the definition of direct participating contracts (indirect participating contracts)

The Group issues contracts with cash flows related to underlying items that do not meet the definition of direct participating contracts. This is due to a general right for the Group to adjust the cash flows in view of the return from the underlying items. However, these underlying items are not specified, and the Group has full discretion in forming the portfolios of underlying items that should be considered for adjusting the cash flows of these contracts for the associated financial variables.

This structure results in the VFA not being applicable to these contracts. Instead, the Group applies the general model when accounting for such contracts. The effects of financial variables do not impact the CSM measurement for a group of indirect participating contracts as changes in financial risk are recognised as part of total insurance finance income or expenses except for when the change triggers a change in the way the Group applies its discretion. In this instance, the change will adjust the CSM.

The Group specifies at inception what they regard as their commitment under the contract. This enables the Group to calculate the amount recognised in total insurance finance income or expenses (for changes in assumptions related to financial risk on that commitment) and the amount adjusting the CSM (because of the exercise of discretion in relation to the entity's commitment). The commitment under the contract can be:

- A specified minimum return agreed under the contract;
- A discretionary amount relating to any surplus investment return on underlying items, in excess of guaranteed minimum return.

The CSM of indirect participating contracts accretes interest at the original locked-in non-asset dependent discount rates determined for a group of contracts at initial recognition. Those changes in fulfilment cash flows related to future service that adjust the CSM are also measured at the original 'locked-in' discount rates determined on initial recognition.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

- ③ Subsequent measurement for direct participating contracts (accounted for under the VFA)

The Group's obligation to the policyholders consists of the obligation to pay policyholders the fair value of the underlying items less a variable fee for future service provided under the insurance contract.

In determining the policyholder's share of returns from the underlying items and how substantial the degree of variability in total payments to the policyholder is due to returns from underlying items, the Group makes the assessment:

- Over the duration of the insurance contract;
- On a present value probability-weighted average basis.

The carrying amount of the CSM for direct participating contracts at the end of the reporting period is the carrying amount at the beginning of reporting period adjusted for:

- The effect of any new contracts added to the group;
- The change in the amount of the Group's share of the fair value of the underlying items except for:
 - The amount of CSM the Group chooses to present in profit or loss to offset the impact from its risk mitigation instruments
 - The decrease in the amount of the Group's share of the fair value of the underlying items that exceeds the carrying amount of the CSM giving rise to a loss that makes the associated group of contracts onerous, or that results in a loss for an existing onerous group becoming more onerous
 - The increase in the amount of Group's share of the fair value of the underlying items that reverses a previously recognised loss on an onerous group of contracts

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(viii) Measurement of insurance contracts issued (Continued)

③ Subsequent measurement for direct participating contracts (accounted for under the VFA) (Continued)

- The changes in fulfilment cash flows relating to future service, except:
 - The amount of the CSM the Group chooses to present in profit or loss to offset the impact from its risk mitigation instruments
 - Such increases in the fulfilment cash flows that exceed the carrying amount of CSM and the group of contracts becomes onerous or more onerous
 - Such decreases in the fulfilment cash flows that reverse a previously recognised loss on an onerous group of contracts
- The effect of any currency exchange differences arising on the CSM;
- The amount recognised as insurance revenue by the allocation of the CSM in the period.

④ Insurance contracts measured under the PAA

The Group generally uses the PAA to simplify the measurement of groups of contracts where the coverage period of each contract in the group of contracts is one year or less.

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Group has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

④ Insurance contracts measured under the PAA (Continued)

Subsequently, the carrying amount of the LRC is increased by any premiums received; and any amortisation of the insurance acquisition cash flows, and decreased by insurance acquisition cash flows paid; the amount recognised as insurance revenue for coverage provided; and any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Group expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

The Group recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) *Measurement of insurance contracts issued (Continued)*

⑤ Onerous contracts

The Group considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

⑤ Onerous contracts (Continued)

For all issued contracts, other than those accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- Insurance finance income or expense;
- Changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period;
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

The Group determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total fulfilment cash outflows included in the LRC.

The Group disaggregates the total finance income or expenses between profit or loss or OCI. For any subsequent changes in the fulfilment cash flows of the LRC, the total of insurance finance income or expenses is disaggregated between profit or loss or OCI and allocated on a systematic basis between the loss component and the LRC excluding the loss component.

Any subsequent decreases in fulfilment cash flows relating to future service allocated to the group (arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk) are allocated first to the loss component only. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service results in the establishment of the group's CSM.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

⑤ Onerous contracts (Continued)

For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:

- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component);
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component);
- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

All these amounts are accounted for as a reduction of the LRC excluding the loss component.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(viii) Measurement of insurance contracts issued (Continued)

⑤ Onerous contracts (Continued)

The Group recognises amounts in insurance service expenses related to the loss component arising from:

- Changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component;
- Subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted;
- For direct participating contracts only, subsequent decreases in the Group's share of the fair value of the underlying items, that result in or further increase the loss component;
- For direct participating contracts only, subsequent increases in the entity's share of the fair value of the underlying items that reduce the loss component until it is exhausted;
- Systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from changes in present value of future cash flows due to incurred insurance services expenses.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(ix) Reinsurance contracts held

For groups of reinsurance contracts held, the Group applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(ix) *Reinsurance contracts held (Continued)*

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

Reinsurance contracts held measured under the PAA

The Group applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Group adjusts the carrying amount of the asset.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(x) *Investment contracts with discretionary participation features*

The Group recognises investment contracts with discretionary participation features at the date when the Group becomes a party to the contract. At initial recognition, similar to insurance contracts, the Group estimates the fulfilment cash flows based on the present value of expected future cash flows and a risk adjustment for non-financial risk. Any expected net inflows are accounted for as the initial CSM.

In estimating future cash flows, the Group considers the contract boundary which only includes cash flows if they result from a substantive obligation of the Group to deliver cash at a present or future date.

The Group discounts cash flows using discount rates that reflect the characteristics of the fulfilment cash flows.

The Group allocates the CSM over the group's whole duration period in a systematic way reflecting the transfer of investment services under a contract by the Group.

The Group measures investment contracts with discretionary participation features under the VFA or general model depending on if they meet the VFA criteria. Refer to Note 2.1(2)(b)(ii) for key types of insurance contracts issued and measurement model applied for each type.

(xi) *Modification and derecognition*

The Group derecognises a contract when it is extinguished – i. e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(xi) *Modification and derecognition (Continued)*

On the derecognition of a contract in a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component;
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to third party, then the CSM is also adjusted for the premium charged by the third party, unless the contract is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(xii) Presentation

① Insurance revenue

As the Group provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Group expects to be entitled to in exchange for those services. For groups of insurance contracts measured under the general model and VFA, insurance revenue consists of the sum of the changes in the LRC due to:

- The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - Amounts allocated to the loss component
 - Repayments of investment components
 - Amounts that relate to transaction-based taxes collected on behalf of third parties
 - Insurance acquisition expenses
 - Amounts relating to risk adjustment for non-financial risk

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xii) Presentation (Continued)

① Insurance revenue (Continued)

- The change in the risk adjustment for non-financial risk, excluding:
 - Changes that relate to future service that adjust the CSM
 - Amounts allocated to the loss component
 - Amounts that relate to insurance finance income and expenses
- The amount of CSM for the services provided in the period;
- Other amounts, such as experience adjustments for premium receipts that relate to current or past service, if any.

Insurance revenue also includes the portion of premiums that relate to amortizing those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

When applying the PAA, the Group recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service. However, when the expected pattern of release from risk during the coverage period differs significantly from the passage of time, the premium receipts are allocated based on the expected pattern of incurred insurance service expenses.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(xii) Presentation (Continued)

② Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components;
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service);
- Other directly attributable insurance service expenses incurred in the period;
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue;
- Loss component of onerous groups of contracts initially recognised in the period;
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xii) Presentation (Continued)

③ Income or expenses from reinsurance contracts held

Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers;
- An allocation of the premiums paid.

The Group presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

The Group establishes a loss recovery component of the asset for the remaining coverage for a group of reinsurance contracts held. This depicts the recovery of losses recognised on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The loss recovery component adjusts the CSM of the group of reinsurance contracts held. The loss recovery component is then adjusted to reflect:

- Changes in the fulfilment cash flows of the underlying insurance contracts that relate to future service and do not adjust the CSM of the respective groups to which the underlying insurance contracts belong to;
- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(xii) Presentation (Continued)

④ Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held.

For contracts applying the general model and contracts applying the VFA, the Group has chosen to disaggregate the impact of changes in financial variables including the discount rate between profit or loss and other comprehensive income. For contracts applying the general model, the Group recognizes changes in insurance contract liabilities due to changes in financial variables including the discount rate in other comprehensive income. For the VFA model, the Group includes in profit or loss expenses or income that exactly match the income or expenses included in profit or loss for the underlying items, with the remaining amount recognized in other comprehensive income.

⑤ Other expenses

Other expenses represent general expenses that are not directly attributable to insurance and reinsurance contract portfolios.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) *Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)*

(b) *Material accounting policy information adopting IFRS 17 (Continued)*

(xiii) *Contracts existing at transition date*

The Group adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a retrospective approach in determining transition amounts at the IFRS 17 transition date.

① *Contracts measured under the modified retrospective approach*

The objective of this approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Group applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

Contracts without direct participation features

For relevant groups of contracts without direct participation features,

- The future cash flows on initial recognition were estimated by adjusting the cash flows that were known to have occurred;
- The risk adjustment for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk was determined with reference to the release of risk for similar insurance contracts that the Group issued at 1 January 2022;

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xiii) Contracts existing at transition date (Continued)

① Contracts measured under the modified retrospective approach (Continued)

Contracts without direct participation features (Continued)

- When any of these modifications was used to determine the CSM (or the loss component) at initial recognition:
 - the amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the remaining coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date; and
 - the amount allocated to the loss component before 1 January 2022 determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows and the risk adjustment for non-financial risk on initial recognition.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xiii) Contracts existing at transition date (Continued)

① Contracts measured under the modified retrospective approach (Continued)

Contracts with direct participation features

For relevant groups of contracts with direct participation features,

- The Group determined the CSM (or the loss component) at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group that equal to the fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:
 - amounts charged to policyholders (including charges deducted from the underlying items) before 1 January 2022.
 - amounts paid before 1 January 2022 that would not have varied based on the underlying items.
 - the change in the risk adjustment for non-financial risk caused by the release from risk before 1 January 2022, which was estimated based on an analysis of similar contracts that the Group issued at 1 January 2022; and
 - insurance acquisition cash flows arising before 1 January 2022 that were allocated to the group.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xiii) Contracts existing at transition date (Continued)

① Contracts measured under the modified retrospective approach (Continued)

Contracts with direct participation features (Continued)

- If the calculation resulted in a CSM, then the Group measured the CSM at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date;
- If the calculation resulted in a loss component, then the Group adjusted the loss component to zero and increased the LRC excluding the loss component by the same amount at 1 January 2022;
- The amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items as applicable.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xiii) Contracts existing at transition date (Continued)

② Contracts measured under the fair value approach

For the groups of contracts that are measured under the fair value approach, the Group determined the CSM or loss component of the LRC at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The fair value of groups of contracts is primarily determined by using present value technique from the perspective of a market participant with considerations of the following:

- Estimate of future cash flows that a market participant would expect to incur or receive in fulfilling the liabilities;
- Time value of money, represented by the risk-free interest rate plus a spread based on the characteristic of the liabilities;
- Premiums that a market participant would require for bearing uncertainty inherent in the cash flows in relation to non-financial risks and compensation that a market participant would require to assume the obligations;
- The non-performance risk relating to those liabilities; and
- Other factors that a market participant would take into account in the circumstances.

To the extent possible, the Group maximised the use of relevant market data and information. For the unobservable inputs, the Group used the best information available in the circumstances, which might include the Group's own data.

SECTION 10

Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1 Standards/amendments adopted by the Group for the first time for the financial year beginning on 1 January 2023 (Continued)

(2) Impacts and changes in accounting policies of application on IFRS 17 Insurance Contracts and the related amendments (Continued)

(b) Material accounting policy information adopting IFRS 17 (Continued)

(xiii) Contracts existing at transition date (Continued)

② Contracts measured under the fair value approach (Continued)

For groups of contracts measured under the fair value approach,

- the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition;
- the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero for contracts without direct participation features and to be equal to the cumulative amount recognised in the other comprehensive income on the underlying items for contracts with direct participation features as applicable.

2.2 New accounting standards and amendments issued but are not effective for the financial year beginning on 1 January 2023

Standards/Amendments	Content
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 16	<i>Lease Liability in a sale and leaseback²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to IFRS 7 and IAS 7	<i>Supplier Finance Arrangements²</i>
Amendments to IAS 21	<i>Lack of Exchangeability³</i>

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on consolidated financial statements in the foreseeable future.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments, estimates and assumptions made by the Group during the preparation of the interim condensed consolidated financial statements 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.

The Group applied significant accounting judgments and estimates related to IFRS 9 and IFRS 17 in preparing the 2023 interim condensed consolidated financial statements as set out below. Significant accounting judgments and estimates in other area are consistent with those of the consolidated annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Significant judgments

(1) *Classification of financial assets*

The judgements in determining the classification of financial assets mainly include the analysis of the contractual cash flows characteristics.

The contractual cash flows characteristics of financial assets refer to the cash flow attributes of the financial assets reflecting the economic characteristics of the relevant financial assets (i.e., whether the contractual cash flows generated by the relevant financial assets on a specified date solely represents the payments of principal and interest). The principal amount refers to the fair value of the financial asset at initial recognition. The principal amount may change throughout the lifetime of the financial assets due to prepayment or other reasons. The interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, other basic lending credit risks, and the consideration of costs and profits.

(2) *Identification of investment components*

The Group considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Group considers such payments to meet the definition of an investment component.

(3) *Separation of insurance components of an insurance contract*

The Group issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In such cases, separate insurance elements must be recognised. Overriding the “single contract” unit of account presumption involves significant judgement and is not an accounting policy choice. When determining whether a legal contract reflects its substance or not, the Group considers the interdependency between different risks covered, the ability of all components to lapse independently, and the ability to price and sell the components separately.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant judgments (Continued)

(4) *Identification of portfolios*

The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement.

(5) *Assessment of the eligibility for meeting the criteria for direct participating contracts*

Direct participating contracts are considered to be sufficiently different from other participating contracts due to the enforceable link to the underlying items, the significance of policyholders' share in the pool and the significance of those returns to the overall policyholder payments. The Group assesses whether a contract meets the definition of a direct participating contract using the Group's expectations existing at inception of the contract. In assessing the significance of the policyholder's share of returns from the underlying items and the degree of variability in total payments to the policyholder, the Group applies significant judgement.

(6) *Selecting a method of allocation of coverage units*

IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement and development of estimates considering individual facts and circumstances. The Group selects the appropriate method on a portfolio-by-portfolio basis. In determining the appropriate method, the Group considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group, different levels of service across the period and the quantity of benefits expected to be received by the policyholder.

(7) *Transition to IFRS 17*

The Group applied IFRS 17 in the Consolidated Financial Information from 1 January 2023 and onwards. The Group has determined that it was impracticable to apply the retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. Therefore, the Group applied the modified retrospective or fair value approaches for these groups of contracts. The Group exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the Consolidated Financial Information on the transition date.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant estimation uncertainty

(1) *Estimates used in measuring insurance contract liabilities and reinsurance contract assets*

In measuring insurance contract liabilities and reinsurance contract assets, the Group uses assumptions about discount rates, mortality rates, morbidity rates, expense rates, policy dividend, lapse rates, etc. Estimates are made based on the most recent historical analysis and current and future economic conditions.

(a) *Discount rate assumption*

The discount rate will be consistent with observable current market price for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, excluding the effects of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts. The Group has adopted the “bottom-up” approach, and the discount rate assumption is determined based on the risk-free interest rate curve with consideration of the impact of the liquidity and tax premium.

As at 30 June 2023, the spot discount rate that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are 2.31%-4.70% (31 December 2022: 2.54%-4.70%).

(b) *Mortality and morbidity assumptions*

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2010-2013), adjusts 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 (2020) 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.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant estimation uncertainty (Continued)

(1) *Estimates used in measuring insurance contract liabilities and reinsurance contract assets (Continued)*

(c) *Expenses assumptions*

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.

(d) *Policy dividend assumption*

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

(e) *Lapse rate and other assumptions*

The lapse rate and other assumptions are affected by certain factors, such as future macroeconomy, 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.

(f) *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks such as lapse risk and expense risk.

The Group use confidence level technique for determining the risk adjustment for non-financial risk. As at 30 June 2023, the Group determines the risk adjustment for non-financial risk based on the 75% confidence level (31 December 2022: 75%).

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Significant estimation uncertainty (Continued)

(2) Measurement of the ECL

The measurement of the ECL for debt investments measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (such as the likelihood of counterparty default and corresponding losses). The considerations in the measurement of the expected credit losses mainly include:

- Significant increase in credit risk: ECL is measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of Default (“PD”): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- LGD: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The amount of the ECL varies depending on the estimation of the Group. Please refer to Note 7 and 8 for more details.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT

(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 stabilise 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 fulfill their responsibilities.

(b) *Concentration of insurance risk*

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise 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 risk.

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 one specific industry or issuer. The structure of the main investment portfolio held by the Group is disclosed in Note 7.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments 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 manages and tests interest rate risk through adjustments to portfolio asset allocation, and to the extent possible, by monitoring the mean duration of its assets and liabilities.

(ii) Price risk

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

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(2) Financial risk (Continued)

(a) Market risk (Continued)

(iii) Currency risk

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

For the identified currency risk, the Company took the following measures: (1) determine the risk level based on the analysis of internal and external information, so as to determine different preventive measures; (2) evaluate the possible frequency and degree of the loss of overseas investment in a certain period of time in the future, and use currency risk exposure analysis and other methods to evaluate the impact of exchange rate changes on the assets, liabilities and equity of the Group; and (3) evaluate the price risk of overseas investments comprehensively in accordance with the level and impact of currency risk, combined with the risk appetite, to select appropriate risk management tools to hedge risk.

(b) Credit risk

Credit risk is the risk that one party to 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, financial bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups, bank deposits with state-owned or other national commercial banks, trust products, debt investment plans and asset funding 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 debt investments at amortised cost; (3) The bond market value was monitored, and the possible credit defaults were analysed 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, other national commercial banks or state-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 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

The Group classifies financial instruments into three stages and makes provisions for expected credit loss accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether the assets have been impaired. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk rating, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial recognition to determine changes in the risk of default over the expected lifetime of a financial instrument or a portfolio of financial instruments.

The key inputs used for measuring ECL are probability of default, LGD and exposure at default. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

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 if 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, collateral or by pledge as the source of funding for repayment.

Credit quality

Most of the Group's bank deposits are with the four largest state-owned commercial banks and other 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 debt investment plans and asset funding plans are well-known trust companies and asset management companies in the PRC.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. 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.

(d) *Disclosures about interests in unconsolidated structured entities*

The Group's interests in the unconsolidated structured entities are recorded as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at FVTOCI. These structured entities typically raise funds by issuing securities or other beneficiary certificates. The purpose of these structured entities is primarily to generate management service fees or provide finance for public and private infrastructure construction.

These investments held by structured entities that the Group has interests in are guaranteed by third parties with higher credit ratings or by pledging, or the borrowers can repay by using government budget, or the borrowers are with higher credit ratings.

The Group has not provided any guarantee or financing support to the structured entities that the Group has interests in or sponsored.

The Group believes that the maximum risk exposure approximates the carrying amount of interests in these unconsolidated structured entities.

The unconsolidated structured entities that the Group has sponsored but had no interest were mainly asset management plans, debt investment plans, endowment annuity products, occupational annuity products and enterprise annuity products, etc.. The unconsolidated structured entities were sponsored by the Group for collecting management service fees, which were recorded as other income. The Group has not transferred any assets to these structured entities.

(e) *Matching risk of assets and liabilities*

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include the scenario analysis method, the cash flow matching method and the immunity method. The Group uses the above techniques to understand the existing risk and the complex relationship from multiple perspectives, 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 and capital supplementary bonds, arranging reinsurance, improving the performance of branches, optimising business structure, and establishing a competitive cost structure.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(3) Capital management

The Company's objectives for managing capital, which is the actual capital calculated as the difference between admitted assets and admitted liabilities as defined by the former China Banking and Insurance Regulatory Commission (the "former CBIRC", taken placed by the National Administration of Financial Regulation in May 2023), are to comply with the insurance capital requirements of the former CBIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern 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 and comprehensive solvency margin ratios, core capital, actual capital and minimum capital of the Company:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Core capital	153,029	143,990
Actual capital	248,975	244,069
Minimum capital	104,164	102,463
Core solvency margin ratio	146.91%	140.53%
Comprehensive solvency margin ratio	239.02%	238.20%

According to the evaluation results of capitalisable risks and four types of non-capitalisable risks, which comprise of operational risk, strategic risk, reputation risk and liquidity risk, the former CBIRC evaluates the intergrated solvency risk of insurance companies and supervises insurance companies in categories. According to the former CBIRC C-ROSS Supervision Information System, the comprehensive risk assessment result of the Company in the first quarter of 2023 is AA.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. 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 authorised 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 FVTPL, debt investments at amortised cost, debt investments at FVTOCI, equity investments designated at FVTOCI, derivative financial instruments, term deposits, statutory deposits and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial liabilities at FVTPL, financial assets sold under agreements to repurchase, borrowings and other 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.

For level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among the Chinese interbank market are classified as level 2 when they are valued at recent quoted price from the Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. and China Securities Index Co., Ltd.. All significant inputs are observable in the market.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

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

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows and comparable companies approach. 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 provides the significant unobservable inputs used for financial assets at fair value classified as level 3 as at 30 June 2023 and 31 December 2022:

As at 30 June 2023 (Unaudited)	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Financial assets at FVTPL					
– Stocks	717	Asian option Model	Liquidity discount	3.03%–4.34%	The higher the liquidity discount, the lower the fair value
– Trust products	16,513	Discounted cash flow method	Discount rate	4.15%–7.23%	The higher the discount rate, the lower the fair value
– Debt investment plans	3,437	Discounted cash flow method	Discount rate	5.80%	The higher the discount rate, the lower the fair value,
– Equity investment plans	11,720	Discounted cash flow method	Discount rate	3.79%–4.69%	The higher the discount rate, the lower the fair value
– Unlisted equity investments	9,805	Comparable companies approach	Liquidity discount	10.00%–33.00%	The higher the liquidity discount, the lower the fair value
– Unlisted equity investments	2,084	Recent transaction method	Recent trading price	N/A	N/A
– Private equity investments	1,978	Discounted cash flow method	Discount rate	5.02%–5.64%	The higher the discount rate, the lower the fair value
– Private equity investments	12,874	Fund net assets	Net assets	N/A	
Debt investments at FVTOCI					
– Trust products	18,284	Discounted cash flow method	Discount rate	4.33%–8.68%	The higher the discount rate, the lower the fair value
– Debt investment plans	12,736	Discounted cash flow method	Discount rate	3.86%–6.56%	The higher the discount rate, the lower the fair value
– Asset funding plans	315	Discounted cash flow method	Discount rate	4.08–5.30%	The higher the discount rate, plans the lower the fair value
Equity investments designated at FVTOCI					
– Unlisted equity investments	17	Comparable companies approach	Liquidity discount	33.00%	The higher the liquidity discount, the lower the fair value

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

As at 31 December 2022 (Audited)	Fair value	Valuation technique	Significant unobservable inputs	Range	Relationship between unobservable inputs and fair value
Equity financial assets					
Available-for-sale					
– Stocks	1,081	Asian option model	Liquidity discount	7.10%	The higher the liquidity discount, the lower the fair value
– Trust products	1,994	Discounted cash flow method	Discount rate	3.85% – 5.31%	The higher the discount rate, the lower the fair value
– Equity investment plans	11,804	Discounted cash flow method	Discount rate	1.62% – 5.00%	The higher the discount rate, the lower the fair value
– Unlisted equity investments	579	Comparable companies approach	Liquidity discount	33.00%	The higher the liquidity discount, the lower the fair value
– Unlisted equity Investments	9,070	Recent transaction method	Recent financing price	N/A	N/A
Financial assets at FVTPL					
– Stocks	14	Asian option model	Liquidity discount	7.10%	The higher the discount rate, the lower the fair value
Debt financial assets					
Available-for-sale					
– Trust products	67,902	Discounted cash flow method	Discount rate	4.22% – 8.47%	The higher the discount rate, the lower the fair value
– Asset management plans	45	Discounted cash flow method	Discount rate	5.30%	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 2023 (All amounts in RMB million unless otherwise stated)

4. 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 2023 and 31 December 2022:

As at 30 June 2023 (Unaudited)	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Assets				
Financial assets at FVTPL	174,960	129,984	59,128	363,802
Debt investments at FVTOCI	407	286,850	31,335	318,592
Equity investments designated at FVTOCI	5,769	–	17	5,786
Derivative financial instruments	–	4	–	4
Total	180,866	416,838	90,480	688,184
Liabilities				
Financial liabilities at FVTPL	–	4,066	–	4,066
Total	–	4,066	–	4,066

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

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

	Inputs to fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
As at 31 December 2022 (Restated, unaudited)				
Assets				
Available-for-sale financial assets				
– Equity financial assets	147,376	31,832	24,528	203,736
– Debt financial assets	461	83,946	67,947	152,354
Financial assets at fair value through profit or loss				
– Equity financial assets	13,622	42,236	14	55,872
– Debt financial assets	1,392	22,201	–	23,593
Derivative financial instruments	–	3	–	3
Total	162,851	180,218	92,489	435,558
Liabilities				
Financial liabilities at fair value through profit or loss	–	25,877	–	25,877
Total	–	25,877	–	25,877

The Group recognised transfers between each level at the time when the transfers occurred. The transfers are mainly caused by changes of market conditions that affect whether the Group could obtain quoted prices (unadjusted) in active markets.

During the period ended 30 June 2023, financial assets at fair value through profit or loss with a carrying amount of RMB52 million were transferred from Level 2 to Level 1 and debt investments at FVTOCI with a carrying amount of RMB104 million were transferred from Level 2 to Level 1.

During the period ended 30 June 2022, available-for-sale financial assets with a carrying amount of RMB833 million were transferred from Level 1 to Level 2 and RMB253 million were transferred from Level 2 to Level 1. Financial assets at fair value through profit or loss with a carrying amount of RMB225 million were transferred from Level 1 to Level 2 and RMB216 million were transferred from Level 2 to Level 1.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

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

The changes in Level 3 financial assets are analysed below:

	Financial assets at FVTPL	Debt investments at FVTOCI	Equity investments designated at FVTOCI	Total
1 January 2023 (Unaudited)	69,262	40,915	12	110,189
Purchase	878	1,691	–	2,569
Recognised in profit or loss	1,344	60	–	1,404
Recognised in other comprehensive income	–	51	5	56
Maturity/disposals	(12,356)	(11,382)	–	(23,738)
30 June 2023 (Unaudited)	59,128	31,335	17	90,480

	Available-for-sale			Financial assets at fair value through profit or loss	Total
	Equity financial assets	Debt financial assets	Subtotal	Equity financial assets	
1 January 2022 (Audited)	4,305	83,530	87,835	3,523	91,358
Transfer in (i)	1,300	–	1,300	–	1,300
Recognised in profit or loss	–	–	–	54	54
Recognised in other comprehensive income	(430)	–	(430)	–	(430)
Maturity/disposals	(40)	(6,726)	(6,766)	–	(6,766)
30 June 2022 (Unaudited)	5,135	76,804	81,939	3,577	85,516

- (i) The transfers into Level 3 were mainly caused by the reliable information obtained and significant unobservable inputs used in the fair value measurement of certain financial instruments during the period.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

4. RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

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

The Group's assets and liabilities disclosed but not measured at fair value mainly include term deposits, statutory deposits, cash and cash equivalents, financial assets purchased under agreements to resell, debt investments at amortised cost, financial assets sold under agreements to repurchase, lease liabilities and borrowings, etc..

The carrying amounts of assets and liabilities not measured at fair value approximate to their fair values, except for the assets and liabilities disclosed in the following tables.

As at 30 June 2023 (Unaudited)	Level 1	Level 2	Level 3	Total
Assets				
Debt investments at amortised cost	574	262,484	58,843	321,901
Total	574	262,484	58,843	321,901
Liabilities				
Borrowings	–	10,060	–	10,060
Total	–	10,060	–	10,060

As at 31 December 2022 (Audited)	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	235	406,225	–	406,460
Loans and receivables	–	–	47,456	47,456
Investment properties	–	–	12,792	12,792
Total	235	406,225	60,248	466,708
Liabilities				
Borrowings	–	9,881	–	9,881
Total	–	9,881	–	9,881

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

5. SEGMENT INFORMATION

The Group operates in three operating segments:

(i) Traditional insurance

Traditional insurance is insurance business without participation features. Traditional insurance mainly includes traditional life insurance, health insurance and accident insurance. Reinsurance related to traditional insurance is included in traditional insurance.

(ii) Participating insurance

Participating insurance is insurance business with direct participation features. Reinsurance related to participating insurance business is included in participating insurance.

(iii) Other business

Other business of the Group mainly includes universal life business, investment management business and unallocated other income and expenses of the Group.

In order to better reflect the changes in the Group's external environment and business structure, and the objectives of future development, as well as providing users of financial statements with more useful information, the Group has adjusted its internal reporting method of segments in 2023, and realigned the composition of its reporting segments by changing the previously reported individual insurance business, group insurance business and other business into three newly identified segments, namely traditional insurance, participating insurance and others. The Group's management has conducted analysis and evaluation on the operating results based on the new reporting segments.

The Group has restated prior year's comparative amounts based on the adjusted operating segments as follows.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2023 (Unaudited)				
	Traditional Insurance	Participating Insurance	Others	Elimination	Total
REVENUES					
Insurance revenue	22,791	3,741	61	-	26,593
Interest income	6,653	8,055	920	-	15,628
Other investment income	3,201	2,257	533	-	5,991
Other income	183	34	976	(454)	739
Total revenue	32,828	14,087	2,490	(454)	48,951
BENEFITS, CLAIMS AND EXPENSES					
Insurance service expenses	(15,593)	(2,224)	(141)	368	(17,590)
Net expenses from reinsurance contracts held	(376)	-	(1)	-	(377)
Finance expenses from insurance contracts issued	(6,700)	(10,182)	(835)	-	(17,717)
Less: Finance income from reinsurance contracts held	127	6	-	-	133
Net impairment losses on financial assets	82	12	(45)	-	49
Other expenses	(897)	(370)	(782)	86	(1,963)
Total benefits, claims and expenses	(23,357)	(12,758)	(1,804)	454	(37,465)
Share of profits and losses of associates and joint ventures	12	13	(16)	-	9
Other finance costs	(128)	(253)	(398)	-	(779)
Profit before income tax	9,355	1,089	272	-	10,716
Other segment information:					
Capital expenditure	-	-	(898)	-	(898)
Depreciation and amortisation	(510)	(210)	(258)	-	(978)

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2022 (Restated unaudited)				Total
	Traditional Insurance	Participating Insurance	Others	Elimination	
REVENUES					
Insurance revenue	24,477	3,902	61	–	28,440
Interest income	6,159	8,466	1,086	–	15,711
Other investment income	(211)	6,218	172	–	6,179
Other income	219	48	1,067	(427)	907
Total revenue	30,644	18,634	2,386	(427)	51,237
BENEFITS, CLAIMS AND EXPENSES					
Insurance service expenses	(14,750)	(2,946)	(42)	315	(17,423)
Net expenses from reinsurance contracts held	67	(25)	(1)	–	41
Finance expenses from insurance contracts issued	(5,565)	(14,588)	(971)	–	(21,124)
Less: Finance income from reinsurance contracts held	95	16	–	–	111
Net impairment losses on financial assets	(447)	(118)	(4)	–	(569)
Other expenses	(942)	(286)	(850)	112	(1,966)
Total benefits, claims and expenses	(21,542)	(17,947)	(1,868)	427	(40,930)
Share of profits and losses of associates and joint ventures	196	9	(40)	–	165
Other finance costs	(173)	(161)	(257)	–	(591)
Profit before income tax	9,125	535	221	–	9,881
Other segment information:					
Capital expenditure	–	–	1,103	–	1,103
Depreciation and amortisation	(517)	(157)	(257)	–	(931)

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities as at 30 June 2023 and 31 December 2022:

As at 30 June 2023 (Unaudited)	Traditional Insurance	Participating Insurance	Others	Elimination	Total
Segment assets	555,260	645,345	108,666	(92)	1,309,179
Segment liabilities	460,155	645,259	91,548	(92)	1,196,870

As at 31 December 2022 (Restated, unaudited)	Traditional Insurance	Participating Insurance	Others	Elimination	Total
Segment assets	488,475	611,382	115,168	(89)	1,214,936
Segment liabilities	391,629	627,311	98,089	(89)	1,116,940

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Associates		
China Jinmao Holdings Group Limited ("China Jinmao")	3,593	3,654
Allinpay Network Services Co., Ltd.	743	735
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century") (Note)	695	705
Huixin Capital International Limited	152	149
Beijing MJ Health Screening Center Co., Ltd.	4	6
Joint venture		
New China Life Excellent Health Investment Management Co., Ltd. ("New China Health")	570	571
Total	5,757	5,820

Note: As approved by shareholders at the fifth shareholders' extraordinary general meeting on 23 August 2011, the Group plans to sell its shareholdings of 24% of Zijin Century. Up to 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 2023 (All amounts in RMB million unless otherwise stated)

6. 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 for China Jinmao, the above investments in associates and joint ventures are all non-public entities, and there is no quoted market price available.

As at the last trading day for the six months ended 30 June 2023, the stock price of China Jinmao was HKD1.15 per share. The management concluded that there was no impairment on such investment after performing impairment testing.

7. FINANCIAL INVESTMENTS

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Bonds		
Government bonds	123	123
Financial bonds	1,180	667
Corporate bonds	15,065	16,178
Subordinated bonds	30,842	1,986
Funds	89,038	8,275
Stocks	82,901	5,361
Asset management plans	42,150	38,404
Certificates of deposit	18,784	4,639
Trust products	16,513	–
Unlisted equity investments	11,889	–
Others (i)	55,317	3,832
Total	363,802	79,465
Listed	118,540	22,734
Unlisted	245,262	56,731
Total	363,802	79,465

(i) Others mainly include private equity, equity investment plans, preferred shares, perpetual bonds, debt investment plans and bank wealth investment products.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(2) Debt investments at amortised cost

	As at 30 June 2023 (Unaudited)
Bonds	
Government bonds	230,412
Financial bonds	3,717
Corporate bonds	8,634
Subordinated bonds	620
Debt investment plans	32,330
Trust products	16,913
Asset funding plans	675
Subtotal	293,301
Less: Allowance for impairment losses	(133)
Total	293,168
Listed	83,718
Unlisted	209,450
Total	293,168

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(2) Debt investments at amortised cost (Continued)

For the six months ended 30 June 2023, movements of the allowance for impairment losses on debt investments at amortised cost are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL- not credit- impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total
1 January 2023				
Allowance for impairment losses (Unaudited)	91	–	76	167
Transfer to:				
– Stage 2	(2)	2	–	–
Charge/(reverse) for the period	(36)	2	–	(34)
30 June 2023				
Allowance for impairment losses (Unaudited)	53	4	76	133
30 June 2023				
Carrying amount (Unaudited)	289,415	2,386	1,500	293,301

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(3) Debt investments at fair value through other comprehensive income

	As at 30 June 2023 (Unaudited)
Bonds	
Government bonds	179,932
Financial bonds	49,320
Corporate bonds	46,635
Subordinated bonds	11,370
Trust products	18,284
Debt investment plans	12,736
Asset funding plans	315
Total	318,592
Listed	93,579
Unlisted	225,013
Total	318,592

As at 30 June 2023, the total provision for impairment losses recognised in debt financial assets at fair value through other comprehensive income is RMB1,570 million.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(3) Debt investments at fair value through other comprehensive income (Continued)

For the six months ended 30 June 2023, movements of the allowance for impairment losses on debt investments at FVTOCI are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL- not credit- impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total
1 January 2023				
Allowance for impairment losses (Unaudited)	50	–	1,524	1,574
Transfer to:				
– Stage 2	(2)	2	–	–
Reverse for the period	(4)	–	–	(4)
30 June 2023				
Allowance for impairment losses (Unaudited)	44	2	1,524	1,570
30 June 2023				
Carrying value (Unaudited)	313,835	2,566	2,191	318,592

(4) Equity investments designated at fair value through other comprehensive income

	As at 30 June 2023 (Unaudited)
Listed stocks	5,769
Unlisted equity investments	17
Total	5,786

- (i) For equity investments which are not held for trading but for long-term investments, the Group has irrevocably elected to recognise them in such category at initial recognition.
- (ii) There was no disposal of equity investments designated at FVTOCI in the current period.
- (iii) In the current period, dividend income from equity investments designated at FVTOCI was RMB159 million.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(5) Held-to-maturity investments

	As at 31 December 2022 (Audited)
Debt financial assets	
Government bonds	306,059
Financial bonds	27,979
Corporate bonds	35,764
Subordinated bonds	8,589
Total	378,391
Debt financial assets	
Listed	130,371
Unlisted	248,020
Total	378,391

The unlisted debt financial assets refer to debt financial assets not traded on stock exchanges, but traded in interbank market.

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

Maturity	As at 31 December 2022 (Audited)
Within 1 year (including 1 year)	14,589
After 1 year but within 3 years (including 3 years)	18,100
After 3 years but within 5 years (including 5 years)	24,308
After 5 years	321,394
Total	378,391

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(6) Available-for-sale financial assets

	As at 31 December 2022 (Audited)
Debt financial assets	
Government bonds	47,330
Financial bonds	16,641
Corporate bonds	8,643
Subordinated bonds	11,793
Trust products	67,902
Asset management plans	45
Subtotal	152,354
Equity financial assets	
Funds	78,856
Stock	69,145
Preferred shares	4,850
Asset management plans	24,295
Private equity investments	12,505
Equity investment plans	11,804
Unlisted equity investments	16,708
Perpetual bonds	3,143
Trust products	1,994
Subtotal	223,300
Total	375,654
Debt financial assets	
Listed	24,067
Unlisted	128,287
Subtotal	152,354
Equity financial assets	
Listed	76,604
Unlisted	146,696
Subtotal	223,300
Total	375,654

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

7. FINANCIAL INVESTMENTS (CONTINUED)

(6) 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 31 December 2022 (Audited)
Within 1 year (including 1 year)	23,980
After 1 year but within 3 years (including 3 years)	52,806
After 3 years but within 5 years (including 5 years)	20,931
After 5 years	54,637
Total	152,354

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

(7) Loans and receivables

	As at 31 December 2022 (Audited)
Debt investment plans (i)	46,663
Asset funding plans	543
Trust products	250
Total	47,456

(i) 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 with a period of 3 years to 10 years.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

8. TERM DEPOSITS

The due dates of the term deposits are as follows:

Maturity	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Within 1 year (including 1 year)	15,492	56,597
After 1 year but within 3 years (including 3 years)	198,294	127,450
After 3 years but within 5 years (including 5 years)	30,833	43,500
Subtotal	244,619	227,547
Less: loss allowances	(60)	N/A
Total	244,559	227,547

9. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

(1) Insurance contract liabilities

Analysis by remaining coverage and incurred claims of insurance contracts

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Liabilities for remaining coverage		
Excluding loss component	1,083,149	994,000
Loss component	7,404	6,132
Liabilities for incurred claims	13,429	13,059
Total	1,103,982	1,013,191

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

9. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

(1) Insurance contract liabilities (Continued)

Analysis by measurement component of insurance contracts not measured under PAA

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Estimates of present value of future cash flows	920,698	826,465
Risk adjustment for non-financial risk	8,616	8,389
CSM	171,364	175,317
Total	1,100,678	1,010,171

(2) Reinsurance contract assets

Analysis by remaining coverage and incurred claims of reinsurance contracts

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Remaining coverage component		
Excluding loss recovery component	9,084	9,248
Loss recovery component	28	23
Incurred claims component	856	1,319
Total	9,968	10,590

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

9. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

(2) Reinsurance contract assets (Continued)

Analysis by measurement component of reinsurance contracts not measured under PAA

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Estimates of present value of future cash flows	7,814	9,045
Risk adjustment for non-financial risk	1,330	1,542
CSM	698	(251)
Total	9,842	10,336

10. BORROWINGS

Upon the approval by the former CBIRC and the People's Bank of China, on 11 May 2020, the Company issued 10-year capital supplementary bonds in the inter-bank market, and completed the issuance on 13 May 2020, which were in an aggregate principal amount of RMB10,000 million, and with an interest rate of 3.3% per annum for the first five years. The Company has the right to redeem the bonds partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercises the redemption right, the interest rate will increase to 4.3% per annum beginning in the sixth year until the maturity date.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

11. RESERVES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Share premium	23,964	23,964
Other reserve	35	42
Other comprehensive income	(45,160)	(37,134)
Surplus reserve	20,923	18,233
Reserve for general risk	14,417	12,840
Total	14,179	17,945

Pursuant to a resolution passed at the shareholders' general meeting on 28 June 2023, the Company appropriated a discretionary surplus reserve of RMB1,114 million, equalling to 10% of the net profit in 2022.

Pursuant to a resolution passed at the shareholders' general meeting on 28 June 2022, the Company appropriated a discretionary surplus reserve of RMB1,440 million, equalling to 10% of the net profit in 2021.

12. INSURANCE REVENUE

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Contracts not measured under the PAA		
Expected incurred claims and other insurance service expenses	9,882	10,368
Change in risk adjustment for non-financial risk for risk expired	432	479
CSM recognised for services provided	9,519	10,180
Recovery of insurance acquisition cash flows	4,801	4,789
Contracts measured under the PAA	1,959	2,624
Total	26,593	28,440

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

13. INTEREST INCOME

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Interest income from:		
– Cash and cash equivalents	114	93
– Term deposits	4,063	3,422
– Statutory deposits	35	36
– Debt investments at amortised cost	5,329	N/A
– Debt investments at FVTOCI	5,986	N/A
– Financial assets purchased under agreements to resell	101	95
– Held-to-maturity investments	N/A	6,417
– Available-for-sale financial assets	N/A	4,092
– loans and receivables	N/A	1,556
Total	15,628	15,711

14. OTHER INVESTMENT INCOME

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Fair value gains/(losses)		
– Financial assets at FVTPL	7,313	(329)
– Derivatives financial instruments	(2)	(2)
– Financial liabilities at FVTPL	(222)	(97)
Net realized losses		
– Financial assets at FVTPL	(5,514)	(289)
– Debt investments at FVTOCI	(3)	N/A
– Available-for-sale financial assets	N/A	(1,239)
Interest income		
– Financial assets at FVTPL	1,418	672
Dividend income		
– Financial assets at FVTPL	2,842	394
– Equity investments designated at FVTOCI	159	N/A
– Available-for-sale financial assets	N/A	7,069
Total	5,991	6,179

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

15. INSURANCE SERVICE EXPENSES

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Contracts not measured under the PAA		
Incurred claims and other incurred insurance service expenses	8,351	7,749
Amortisation of insurance acquisition cash flows	4,801	4,789
Losses on onerous groups of contracts and reversal of such losses	1,112	1,666
Adjustment to the LIC	1,129	290
Subtotal	15,393	14,494
Contracts measured under the PAA		
Incurred claims and other incurred insurance service expenses	1,169	1,642
Amortisation of insurance acquisition cash flows	591	805
Losses on onerous groups of contracts and reversal of such losses	464	595
Adjustment to the LIC	(27)	(113)
Subtotal	2,197	2,929
Total	17,590	17,423

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For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

16. NET INVESTMENT INCOME AND FINANCE EXPENSES FROM INSURANCE CONTRACTS

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Interest income	15,628	15,711
Other investment income	5,991	6,179
Share of profits and losses of associates and joint ventures	9	165
Impairment losses on financial asset	49	(569)
Foreign exchange gains	230	284
Others	(457)	(355)
Total investment income recognised in profit or loss	21,450	21,415
Total investment income/(losses) recognised in OCI	5,959	(12,068)
Total net investment income	27,409	9,347
<i>Insurance finance expenses from insurance contracts issued</i>		
Interest accreted	7,624	6,549
Effect of changes in interest rates and other financial assumptions	12,256	2,825
Changes in fulfilment cash flows and CSM of contracts measured applying VFA due to changes in fair value of underlying items	15,506	6,173
Insurance finance expenses from insurance contracts issued	35,386	15,547
Total insurance finance expenses from insurance contracts issued recognised in profit or loss	17,717	21,124
Total insurance finance expenses from insurance contracts issued recognised in OCI	17,669	(5,577)
<i>Insurance finance income from reinsurance contracts held</i>		
Interest accreted	(133)	(111)
Effect of changes in interest rates and other financial assumptions	(172)	(68)
Total finance income from reinsurance contracts held	(305)	(179)
Total finance income from reinsurance contracts held recognised in profit or loss	(133)	(111)
Total finance income from reinsurance contracts held recognised in OCI	(172)	(68)

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

17. NET IMPAIRMENT LOSSES ON FINANCIAL ASSET

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Impairment loss recognised/(reversed) in respect of:		
– Debt investments at amortised cost	(34)	N/A
– Debt investments at FVTOCI	(4)	N/A
– Term deposits	(12)	–
– Available-for-sale financial assets	N/A	568
– Others	1	1
Total	(49)	569

18. OTHER EXPENSES

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Commission and brokerage expenses	7,449	6,357
Payroll and welfare	4,216	4,065
Depreciation and amortisation	811	808
Insurance guarantee fund	332	177
Taxes and surcharges	140	132
Others	1,007	1,020
Subtotal	13,955	12,559
Minus:		
– Amounts attributed to insurance acquisition cash flows	9,236	7,305
– Amounts attributed to insurance service expenses	2,756	3,288
Total other expenses	1,963	1,966

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

19. TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same tax authority. Most of the 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	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Current tax	122	76
Deferred tax	614	613
Total income tax	736	689

(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	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Profit before income tax	10,716	9,881
Tax computed at the statutory tax rate in China	2,679	2,470
Non-taxable income (i)	(1,982)	(1,794)
Expenses not deductible for tax purposes (i)	20	14
Effect of unrecognised deferred tax assets arising from deductible tax losses	26	29
Adjustments in respect of current tax of previous periods	(7)	(29)
Effect of different tax rates used by subsidiaries	–	(1)
Income tax computed at effective tax rate	736	689

- (i) Non-taxable income mainly includes interest income from government bonds, and dividend income from applicable equity financial assets, etc.. Expenses not deductible for tax purposes mainly include those expenses such as supplementary medical insurance, penalties, donations and entertainment expenses that do not meet the criteria for deduction under relevant tax regulations issued by the tax authority.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

19. TAXATION (CONTINUED)

(3) Deferred tax assets and liabilities before and after offsetting are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited) (Restated)
Deferred tax assets	10,926	8,746
Deferred tax liabilities	(6,272)	(913)
Net deferred tax assets	4,711	7,890
Net deferred tax liabilities	(57)	(57)

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deductible tax losses	703	712

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

20. EARNINGS PER SHARE

(1) Basic

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

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Net profit for the period attributable to owners of the Company (RMB in million)	9,978	9,190
Weighted average number of ordinary shares issued (in million)	3,120	3,120
Basic earnings per share (RMB)	3.20	2.95

(2) Diluted

The Company has no dilutive potential ordinary shares. Diluted earnings per share are the same as basic earnings per share for the six months ended 30 June 2023 (for the six months ended 30 June 2022 (unaudited): same).

21. DIVIDENDS

Pursuant to a resolution passed at the shareholders' general meeting on 28 June 2023, a final dividend of RMB1.08 per ordinary share (inclusive of tax) totalling RMB3,369 million was declared.

Pursuant to a resolution passed at the shareholders' general meeting on 28 June 2022, a final dividend of RMB1.44 per ordinary share (inclusive of tax) totalling RMB4,492 million was declared.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

(a) Subsidiaries

Refer to Note 26 for the basic and related information of subsidiaries.

(b) Associates and joint venture

Refer to Note 6 for the basic and related information of associates and joint venture.

(c) Other related parties

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

Significant related parties	Relationships
Central Huijin Investment Ltd. ("Huijin")	Shareholder that has significant influence over the Company
China Baowu Steel Group Corporation Limited	Shareholder that has significant influence over the Company
Hwabao WP Fund Management Co., Ltd. ("Hwabao WP Fund")	Company under indirect control of the shareholder that has significant influence over the Company
FOSUN International Limited and its subsidiaries ("FOSUN International")(i)	Company under direct or indirect control of the shareholder that has significant influence over the Company for the comparative period

(i) For the six months ended 30 June 2023, none of the Group's directors was appointed by Fosun International. FOSUN International has not participated in the Group's policy-making processes in any form. Consequently, FOSUN International is not longer been deemed as a related party of the Group.

(2) Significant transactions with related parties

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions between the Group and other related parties		
– Interest from bonds issued by Huijin	11	17
– Investment income arising from investing fund of Hwabao WP Fund	–	19
Transactions between the Group and its associates		
– Investment income arising from investing trust products related to China Jinmao	59	120
– Dividends declared from China Jinmao	22	112

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Significant transactions with related parties (Continued)

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Transactions between the Group and its joint venture		
– Health check and service fee paid to New China Health	12	10
– Rent earned from New China Health	6	4
Transactions between the Company and its subsidiaries		
– Investment management fee to Asset Management Company	337	282
– Additional capital contribution to New China Health	268	–
– Additional capital contribution to Hefei New China Life Supporting Construction Operation Management Co., Ltd. (“Hefei Supporting Operation”)	76	274
– Rent and property fee paid to Xinhua Haoran Architecture Science and Technology Co., Ltd. (“Xinhua Haoran”)	31	27
– Investment management fee to New China Asset Management (Hong Kong) Co., Ltd. (“Asset Management Company (Hong Kong)”)	30	32
– Rent earned from Asset Management Company	12	11
– Conference and training fees paid to New China Village Health Technology (Beijing) Co., Ltd. (“Health Technology”)	3	6
Rent earned from New China Pension Co., Ltd. (“New China Pension”)	3	2
– Health check fee paid to New China Excellent Rehabilitation Hospital Co., Ltd.	2	–
– Rent paid to Hefei Supporting Operation	2	–

The above significant transactions with related parties did not constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

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

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

22. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Related party balances

	The Group	
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balances with related parties		
Interest receivable		
Huijin	N/A	7
Debt investments at FVTOCI		
Huijin	649	N/A
Held-to-maturity investments		
Huijin	N/A	600
Available-for-sale financial assets		
China Jinmao	N/A	4,509
Other payables		
New China Health	6	5

	The Company	
	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Payables to subsidiaries		
Asset Management Company	61	55
Asset Management Company (Hong Kong)	17	17
Electronic Commerce	–	20
Xinhua Haoran	2	6

No impairment has been made for receivables from related parties as at 30 June 2023 (As at 31 December 2022: same).

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million 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	
	2023 (Unaudited)	2022 (Unaudited)
Payroll and welfare	9	13

(5) Transactions with state-owned enterprises

Under International Accounting Standard 24 (Amendment) (“IAS 24 (Amendment)”) “Related Party Disclosures”, 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 IAS 24 (Amendment) exemption and disclosed only qualitative information.

As at 30 June 2023, 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; most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2023, 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 deposits interest income was from state-owned banks.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

23. CONTINGENCIES

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

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

As at 30 June 2023, except for the items described above, all kinds of estimations and contingencies resulting from insurance services within the scope of this report, the Group does not have any significant contingency that needs description.

24. COMMITMENTS

(1) Capital commitments

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Contracted, but not provided for	1,591	3,041
Authorised by the board, but not contracted for	–	163
Total	1,591	3,204

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

24. COMMITMENTS (CONTINUED)

(2) Operating lease rental receivables

The future minimum lease receivables under non-cancellable operating leases are as follows:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Within 1 year (including 1 year)	271	301
Between 1 and 2 years (including 2 years)	200	183
Between 2 and 3 years (including 3 years)	89	91
Between 3 and 4 years (including 4 years)	39	57
Between 4 and 5 years (including 5 years)	30	32
More than 5 years	20	74
Total	649	738

(3) Investment commitments

As at 30 June 2023, a total amount of RMB2,023 million was disclosed as investment commitments contracted but not provided for (31 December 2022: RMB2,171 million).

25. SUBSEQUENT EVENTS

On 28 June 2022, the Company's Annual General Meeting of 2021 approved the Company to issue domestic capital supplementary bonds with an aggregated amount of no more than RMB20,000 million in compliance with regulatory requirements. The issuance of such bonds was approved by the National Administration of Financial Regulation on 14 July 2023, and is subject to the approval of the People's Bank of China and other regulatory authorities.

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

26. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 30 June 2023 are as follows:

Subsidiaries

Asset Management Company
Asset Management Company (Hong Kong)
Health Technology (i)
Xinhua Village Seniors Service (Beijing) Co., Ltd.
Xinhua Village Seniors Operation Management (Beijing) Co., Ltd.
Electronic Commerce
Guangzhou Yuerong Project Construction Management Co., Ltd.
Hefei Supporting Operation (ii)
New China Pension
Xinhua Village Seniors Investment Management (Hainan) Co., Ltd.
Xinhua Haoran
New China Excellent Rehabilitation Hospital Co., Ltd.

- (i) As at 13 April 2023, the Company paid an amount of RMB268 as capital injection to Health Technology. Up to 30 June 2023, the Company's accumulated capital contributions to Health Technology achieved RMB1,843 million.
- (ii) As at 16 January 2023, the Company paid an amount of RMB76 million as capital injection to Hefei Supporting Operation. Up to 30 June 2023, the Company's accumulated capital contributions to Hefei Supporting Operation was RMB2,530 million.

Except for above mentioned, there was no significant change in investments in subsidiaries for the six months ended 30 June 2023.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

26. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the Company's principal controlled structured entities as at 30 June 2023 are as follow:

	Place of incorporation/ registration and business	Principal activities	Registered/ Committed share capital	Percentage of equity attributable to the Group
New China Asset Management – Mingmiao No.2 Asset Management Product	Not applicable	Asset management plan	RMB4,314 million	86.22%
New China Asset Management – Mingyan No.1 Asset Management Product	Not applicable	Asset management plan	RMB3,903 million	100%
New China- Greatwall Group Infrastructure and Property Debt Investment Plan	Not applicable	Debt investment plan	RMB3,000 million	100%
New China- Wanke Wuhan Plant and Equipment Debt Investment Plan	Not applicable	Debt investment plan	RMB2,625 million	100%
New China- Qingdao Shenlan Center Plant and Equipment Debt Investment Plan	Not applicable	Debt investment plan	RMB2,500 million	100%
New China-Urban Construction Infrastructure and Property Debt Investment Plan (Second Phase)	Not applicable	Debt investment plan	RMB2,000 million	100%
New China-Urban Construction Development Infrastructure and Property Debt Investment Plan (First Phase)	Not applicable	Debt investment plan	RMB1,800 million	100%
New China Asset Management – Jingxing Series Special Products (Third Phase)	Not applicable	Asset management plan	RMB1,759 million	100%
New China-Wanke Logistics Infrastructure and Property Debt Investment Plan (Third Phase)	Not applicable	Debt investment plan	RMB1,577 million	100%
New China-Urban Construction Development Infrastructure and Property Debt Investment Plan (Second Phase)	Not applicable	Debt investment plan	RMB1,500 million	100%
Cigna & CMB Asset Management–Shanghai Binjiang Center Plant and Equipment Debt Investment Plan (Second Phase)	Not applicable	Debt investment plan	RMB1,500 million	93.33%
New China Asset Management – Select Hong Kong Stock Connect No.1 Asset Management Product	Not applicable	Asset management plan	RMB1,421 million	63.35%
New China- Wanke Kunming Debt Investment Plan (First Phase)	Not applicable	Debt investment plan	RMB1,100 million	100%
New China Asset Management – Mingxin No.5 Asset Management Product	Not applicable	Asset management plan	RMB1,070 million	72.37%
New China Asset Management – Mingyi No.7 Asset Management Product	Not applicable	Asset management plan	RMB1,046 million	63.68%

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Notes to the Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2023 (All amounts in RMB million unless otherwise stated)

26. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the Company's principal controlled structured entities as at 30 June 2023 are as follow: (Continued)

	Place of incorporation/ registration and business	Principal activities	Registered/ Committed share capital	Percentage of equity attributable to the Group
New China-Urban Construction Infrastructure and Property Debt Investment Plan (First Phase)	Not applicable	Debt investment plan	RMB1,000 million	100%
New China-Urban Construction Infrastructure and Property Debt Investment Plan (Third Phase)	Not applicable	Debt investment plan	RMB1,000 million	70.00%
New China- Xi'an Electronic Valley Construction Infrastructure and Property Debt Investment Plan	Not applicable	Debt investment plan	RMB1,000 million	83.80%

All subsidiary and consolidated structured entities undertakings are included in the consolidation. There are no significant restrictions on the use of assets or the discharge of liabilities of all subsidiaries and consolidated structured entities. The non-controlling interests of subsidiaries are immaterial to the Group, while the non-controlling interests of consolidated structured entities are recorded in financial liabilities at FVTPL.

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 and authorised for issue by the Board of Directors on 29 August 2023.

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